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THE FEDERAL RESERVE ACT

The Federal Reserve Act, signed by President Woodrow Wilson on December 23, 1913, has already aroused much criticism, many different expressions of opinion, and elaborate discussion of details. Great political prejudice has been engendered. Throughout the past year the discussion has been almost continuous, at first in a limited number of publications and in technical circles, then in the secular press, on the platform, and generally throughout the country. Taking the debate on the so-called money trust question as the precursor of that which dealt with banking legislation, in the proper sense of the term, the controversy in Congress has also been well nigh continuous for the past year. As a result of this twelve months effort, roundly speaking, and of the preliminary work which had gone before, the country has today on the statute books, a law much more inclusive and incisive than any that has been adopted since the passage of the national bank act in 1863-1864. Indeed, the new measure is more far-reaching than the national banking act itself, since the latter was primarily a change in the method of issuing currency, while the Federal Reserve Act is not only that, but is also a radical transformation of the methods employed in the creation of bank credits. It is not likely that the Federal Reserve Act will become fully effective save after a considerable period of further criticism and analysis. What the act means, how it has come into existence, its relation to banking proposals past and present, and the methods by which its adoption has been secured, as well as the opposition from which it has suffered heretofore and will suffer in the future, are, therefore, of fundamental interest not only as a matter of history and current politics but as an element in the further development of American banking legislation. The present study can afford only a general sketch of these varying phases of the measure, but it will endeavor to set forth some of the more salient elements in the situation.

No current economic issue has received more attention of a

certain sort than currency and banking, during the past few years of American politics. Beginning with the struggle for "sound money" in 1896 and 1900, the debate gradually shifted to the field of banking reform; and during the decade just past consideration of the question at bankers' conventions, at meetings of business men, and elsewhere, has been almost constant. While the issue has not taken, in recent years at least, a strong hold upon the popular interest or imagination, it has been the topic of unremitting study and controversy among the more intelligent classes in the community as well as among the business and banking interests of higher grades and, as every student of theory knows, among professional economists. To dispassionate observers, indeed, it has sometimes seemed that the banking question had become, or was in danger of becoming, a largely academic matter—a subject of forensic disputation; as to which, debate was bitter and controversial, but with reference to which, few seriously expected any definite action within a reasonable future, while none looked for immediate legislation designed to close the issue once and for all. At least one result of the prolonged controversy has been witnessed during the past three years in the expenditure of probably about \$1,000,000 in actual direct outlay for the purpose of securing legislation. This vast sum, expended partly for governmental investigations, partly for organized agitation, and partly in the promotion of meetings, conventions, and other occasions for debate, must be regarded as having had its primary result in the creation of a helpful public opinion and understanding of the fundamentals of banking.

Yet those who believed that, in consequence of this extended discussion of the subject, there would be a smoothing of the path for legislative action have found themselves profoundly mistaken. Neither from the banking community as such, from organizations of business men, from the press, or from the professional economists of the country taken as a body has aid been received by those who were engaged in the task of framing and enacting the proposed currency and banking legislation. Honorable and distinguished exceptions in each of the classes or groups just enumerated spring at once to mind, but in the main the remark will hold true. The currency and banking law of 1913 had to be pressed forward to a passage over the all but united opposition of those who had been engaged in the popularizing of "sound" ideas on currency and banking and in the voicing of a demand for action,

notwithstanding that it embodies, and at every stage of its progress has embodied, the essential ideas regarded as fundamental by thoughtful students of the problem with which it deals. Selfish interests entwined about an obsolete and injurious system of banking have striven their utmost to discredit the legislation and to place obstacles in the path of its advocates; supposed experts have lent their services to the defense of the worse elements in the existing situation; and the press has too often done what it could both to misrepresent the facts and to discredit the motives of those who were honestly laboring for the fundamentals of reform. That under these conditions and in spite of them the Federal Reserve Act has been passed, some of the older conditions remedied, and a way opened to the very great improvement of American banking, both from the technical and from the broader point of view, is primarily due to the honesty and sincerity of the House leaders entrusted with the duty of presenting a reform measure, to the constant and courageous coöperation of the Treasury and its chief, and above all to the unwavering determination and keen insight of the Executive. Secondarily, the result shows the capacity of the dominant party for discipline and leadership and its power to shake off false traditions and past mistakes.

I

A brief outline sketch of the legislative history of the Federal Reserve Act may first be presented.¹ Without at present entering into the early history of the process by which the measure itself was framed, between April, 1912, and June, 1913, it may be generally said that during the period referred to a preliminary draft of what later became the Federal Reserve Act was shaped under the auspices, first of a sub-committee of the House Banking and Currency Committee as organized in the Sixty-second Congress, Hon. Carter Glass of Virginia being chairman of the sub-committee in question, and then under the auspices of Mr. Glass himself as the ranking Democratic member and prospective chairman of the banking and currency committee to be organized in the House of Representatives of the Sixty-third Congress.

Upon the basis of careful investigation, conducted under di-

¹ Much of this history, in its greatest significance, is not a matter of record, since the events which formed the principal parts of it occurred behind closed doors in the party caucus, or during consultations of legislative leaders. No complete review of these events and phases in the history of the bill will be undertaken within the scope of this paper.

rection and supervision of the committee, partly at public hearings during the winter of 1912-1913, partly by private investigations, it had been determined what features should and what points should not be embodied in the proposed measure. The bill thus drafted had been submitted to and had received the approval of President Woodrow Wilson, and was thus, when introduced in the House of Representatives on June 18, an administration bill in the sense that it had received the approval of those charged with administrative responsibility, while it had been developed by the authorized legislative agencies of Congress. As thus drafted for presentation, the banking bill covered certain main points, which were subjected to no serious change and which have been succinctly reviewed in a report, submitted to the House on September 9, 1913, by Chairman Glass on behalf of the Banking and Currency Committee, as follows:²

After looking over the whole ground, and after examining the various suggestions for legislation, some of which have just been outlined, the Committee on Banking and Currency is firmly of the opinion that any effective legislation on banking must include the following fundamental elements, which it considers indispensable in any measure likely to prove satisfactory to the country:

1. Creation of a joint mechanism for the extension of credit to banks which possess sound assets and which desire to liquidate them for the purpose of meeting legitimate commercial, agricultural, and industrial demands on the part of their clientele.

2. Ultimate retirement of the present bond-secured currency, with suitable provision for the fulfillment of Government obligations to bondholders, coupled with the creation of a satisfactory flexible currency to take its place.

3. Provision for better extension of American banking facilities in foreign countries to the end that our trade abroad may be enlarged and that American business men in foreign countries may obtain the accommodations they require in the conduct of their operations.

Beyond these cardinal and simple propositions the committee has not deemed it wise at this time to make any recommendations, save that in a few particulars it has suggested the amendment of existing provisions in the national-bank act, with a view to strengthening that measure at points where experience has shown the necessity of alteration.

In order to meet the requirements thus sketched, the committee proposes a plan for the organization of reserve or rediscount institutions to which it assigns the name "Federal reserve banks." It recommends that these be established in suitable places throughout the country to the number of 12 as a beginning, and that they be assigned the function of bankers' banks. Under the committee's plan these

² *H. Rept.*, 63 Cong., 1 Sess., pp. 16 *et seq.*

banks would be organized by existing banks, both National and State, as stockholders. It believes that banking institutions which desire to be known by the name "national" should be required, and can well afford, to take upon themselves the responsibilities involved in joint or federated organization. It recommends that these bankers' banks shall be given a definite capital, to be subscribed and paid by their constituent member banks which hold their shares, and that they shall do business only with the banks aforesaid, and with the Government. Public funds, it recommends, shall be deposited in these new banks which shall thus acquire an essentially public character, and shall be subject to the control and oversight which is a necessary concomitant of such a character. In order that these banks may be effectively inspected, and in order that they may pursue a banking policy which shall be uniform and harmonious for the country as a whole, the committee proposes a general board of management intrusted with the power to overlook and direct the general functions of the banks referred to. To this it assigns the title of "The Federal Reserve Board." It further recommends that the present national banks shall have their bonds now held as security for circulation paid at the end of 20 years, and that in the meantime they may turn in these bonds by a gradual process, receiving in exchange 3 per cent bonds without the circulation privilege.

In lieu of the notes, now secured by national bonds and issued by the national banks, and, so far as necessary in addition to them, the committee recommends that there shall be an issue of "Federal reserve treasury notes," to be the obligations of the United States, but to be paid out solely through Federal reserve banks upon the application of the latter, protected by commercial paper, and with redemption assured through the holding of a reserve of gold amounting to 33 1/3 per cent of the notes outstanding at any one time. In order to meet the requirements of foreign trade, the committee recommends that the power to establish foreign branch banks shall be bestowed upon existing national banks under carefully prescribed conditions and that Federal reserve banks shall also be authorized to establish offices abroad for the conduct of their own business and for the purpose of facilitating the fiscal operations of the United States Government. Finally and lastly, the committee suggests the amendment of the national-bank act in respect to two or three essential particulars, the chief of which are bank examinations, the present conditions under which loans are made to farming interests, and the liability of stockholders of failed banks. It believes that these recommendations, if carried out, will afford the basis for the complete reconstruction and the very great strengthening and improvement of the present banking and credit system of the United States. The chief evils of which complaint has been made will be rectified, while others will at least be palliated and put in the way of later elimination.

The Federal reserve banks suggested by the committee as just indicated would be in effect coöperative institutions, carried on for the benefit of the community and of the banks themselves by the

banks acting as stockholders therein. It is proposed that they shall have an active capital equal to 10 per cent of the capital of existing banks which may take stock in the new enterprise. This would result in a capital of something over \$100,000,000 for the reserve banks taken together if practically all existing national banks should enter the system. It is supposed, for a number of reasons, that the banks would so enter the system. More will be said on this point later in the discussion. How many State banks would apply for and be granted admission to the new system as stockholders in the reserve banks can not be confidently predicted. It may, however, be fair to assume at this point that the total capital of the reserve banks will be in the neighborhood of \$100,000,000. The bill recommended by the committee provides for the transfer of the present funds of the Government included in what is known as the general fund to the new Federal reserve banks, which are thereafter to act as fiscal agents of the Government. The total amount of funds which would thus be transferred can not now be predicted with absolute accuracy, but the released balance in the general fund of the Treasury is not far from \$135,000,000. Certain other funds now held in the department would in the course of time be transferred to the banks in this same way, and that would result in placing, according to the estimates of good authorities, an ultimate sum of from \$200,000,000 to \$250,000,000 in the hands of the reserve banks. If the former amount be assumed to be correct, it is seen that the reserve banks would start shortly after their organization with a cash resource of at least \$300,000,000. As will presently be seen in greater detail, it is proposed to give to the reserve banks reserves now held by individual banks as reserve holders under the national banking act for other banks. Confining attention to the national system, it is probable that the transfer of funds thus to be made by the end of a year from the date at which the new system would be organized would be in the neighborhood of \$350,000,000. If State banks entered the system and conformed to the same reserve requirements they would proportionately increase this amount, but for the sake of conservatism the discussion may be properly confined to the national banks. For reasons which will be stated at a later point, it seems likely that at least \$250,000,000 of the reserves just referred to would be transferred to the reserve banks in cash; and if this were done the total amount of funds which they would have in hand would be at least \$550,000,000. This would create a reservoir of liquid funds far surpassing anything of similar kind ever available in this country heretofore. It would compare favorably with the resources possessed by Government banking institutions abroad.

It will be observed that in what has just been said the reserve banks have been spoken of as if they were a unit. The committee, however, recommends that they shall be individually organized and individually controlled, each holding the fluid funds of the region in which it is organized and each ordinarily dependent upon no other part of the country for assistance. The only factor of centralization which has been provided in the committee's plan is found in the Federal Reserve

Board, which is to be a strictly Government organization created for the purpose of inspecting existing banking institutions and of regulating relationships between Federal reserve banks and between them and the Government itself. Careful study of the elements of the problem has convinced the committee that every element of advantage found to exist in coöperative or central banks abroad can be realized by the degree of coöperation which will be secured through the reserve-bank plan recommended, while many dangers and possibilities of undue control of the resources of one section by another will be avoided. Local control of banking, local application of resources to necessities, combined with Federal supervision, and limited by Federal authority to compel the joint application of bank resources to the relief of dangerous or stringent conditions in any locality are the characteristic features of the plan as now put forward. The limitation of business which is proposed in the sections governing rediscounts, and the maintenance of all operations upon a footing of relatively short time will keep the assets of the proposed institutions in a strictly fluid and available condition, and will insure the presence of the means of accommodation when banks apply for loans to enable them to extend to their clients larger degrees of assistance in business. It is proposed that the Government shall retain a sufficient power over the reserve banks to enable it to exercise a directing authority when necessary to do so, but that it shall in no way attempt to carry on through its own mechanism the routine operations of banking which require detailed knowledge of local and individual credit and which determine the actual use of the funds of the community in any given instance. In other words, the reserve-bank plan retains to the Government power over the exercise of the broader banking functions, while it leaves to individuals and privately owned institutions the actual direction of routine.

As first presented, the bill was taken in hand by the House Committee on Banking and Currency, which, however, had not been named until a few days previous to the introduction of the measure. The committee held its first meeting on June 6; then began the active work of considering the bill on July 7; and continued regular sessions several hours each day until the beginning of September. The bill was then reported to a Democratic caucus, and after about two weeks of discussion behind closed doors was ratified, and was thereupon formally reported, on September 9, to the House of Representatives, where it was taken under debate on September 10, and ultimately forced to a passage in the House on September 18. It was then sent to the upper chamber and was taken under advisement in the Senate banking committee where extensive hearings were promptly begun and were continued until October 25. Thereafter, a month of consideration in committee ensued, and subsequently three days of caucus consideration in

the Senate, a final report to the Senate as such being rendered on December 1. Debate then began and was continued, first in the intervals of business already scheduled, then at practically continuous sessions until December 19 when a final vote was secured and the measure within twenty-four hours sent to conference, from which it emerged on December 22, receiving, as already stated, the President's signature on the following day.

When reported by the Senate banking committee, after its own consideration and that of the caucus, the banking bill contained no important changes in theory, as compared with the House draft, save only in the section which related to the method of retiring existing national bank circulation and of providing for the refunding of United States 2 per cent bonds. The bill, however, differed essentially from the House measure in many details, some of them of great importance, others of minor significance. The framework of the bill had been changed in no fundamental particular, but remained as it had been originally constructed. The detailed changes, taken in the aggregate, would, however, have altered in a considerable degree its scope and effect. A sketch of these changes must, therefore, be presented at this point.

As reported by the Senate committee, the bill, instead of providing for a series of reserve banks not less than 12 in number, whose stock was to be owned exclusively by existing national and state banks, provided for not less than 8 nor more than 12 of such banks, and permitted the stock, if not taken up by existing banks through subscription, to be sold to the public, or, if not subscribed for by the public, to be allotted to the United States government. It slightly altered the method of voting for directors of reserve banks, from the plan prescribed in the House bill. It relieved the national banks entering the system of the necessity of rechartering. The Federal Reserve Board was somewhat changed in composition, through the elimination of one ex-officio member drawn from the administration, and was given broader and less restricted powers than had been conferred by the House bill, although none of a new or fundamental nature were added. The Senate committee, moreover, instead of making the deposit of public funds in reserve banks mandatory, left it to the discretion of the Secretary of the Treasury to deposit such funds or not as he might see fit, although the tenor of the provision on this subject was such as to indicate that the declared policy of the United States would in the future be that of making

the deposits with the reserve banks rather than with national banks as in the past.

As a method of retiring United States bonds and national bank circulation, the Senate bill provided that these securities might be annually assigned to federal reserve banks in a sum not to exceed \$25,000,000, the banks to be required to purchase the bonds at par from their existing owners and to issue upon them, as security, notes exactly similar to existing national bank notes and subject to the same requirements, limitations, and obligations.

In dealing with the reserve question, it was provided that federal reserve banks should maintain 35-40 per cent instead of 33 1/3 per cent as in the House bill, and that national banks should maintain in central reserve cities 18 per cent, in reserve cities 15 per cent, and in the country 12 per cent, of demand deposits, with 5 per cent against time deposits, both the proportion to be kept in the reserve banks and the rate of transfer being altered, as compared with the House bill, in such a way as to make the process of transfer easier for the contributing banks. By way of still further lightening the burden, which, it was supposed, would be imposed upon the banks in this process of transfer, it was provided that one half of the credits to be established with the reserve banks created under the bill might be paper eligible for rediscount, while the notes issued by the reserve banks were also allowed to be counted in the reserves of these member banks. The Senate bill, moreover, extended the provisions of the so-called Aldrich-Vreeland law of 1908, and inserted in the measure a provision authorizing the Secretary of the Treasury to sell bonds for gold, should such a measure be necessary at any time to maintain the redeemableness of federal reserve notes. Lastly, the Senate bill largely altered the provision which had been made in the House for the collection of checks and drafts at par throughout the country. While under debate in the Senate, the bill underwent some further alterations, none of which, however, materially changed its more important aspects as already described. Such clauses as were inserted were intended mainly to clarify the language or to add further safeguards which had been found or thought to be necessary here and there as the work proceeded.

Little needs to be said of the debate in the Senate. Much of it was distinctly partisan in tone, only an occasional argument

based upon independent data being offered. Political opponents, both Progressives and Republicans, thought to assail the work of the Democrats and to discredit it as a means of making political capital. It is doubtful whether any important provision was altered on the floor as the result of discussion, although a few points at which the measure was weak were subsequently rectified, probably as a result of the repeated attacks to which they had been subjected during the weeks before the measure was finally adopted. As the bill ultimately passed the Senate, it differed from the plan of the House in no respect that was of theoretical importance. It retained the provision for sales of stock to private holders and for the voting of the stock by trustees representing these holders, as well as for the purchase of stock by the United States itself, in case of necessity for so doing. It, moreover, introduced a change in the method of distributing the earnings of federal reserve banks whereby a portion of those earnings was to be employed for establishing a fund for guaranteeing the deposits of member banks which had taken stock in the federal reserve banks of their district. It altered the number of banks by cutting it to no less than 8 and not more than 12, in place of the "at least 12" of the House bill. While many minor changes and alterations of wording were made throughout, they did not alter the essential structure of the plan, but in some cases carried it further than the framers of the House measure had been able to do, embodying ideas that had been urged by them while the measure was under discussion, but for which they had not succeeded in obtaining endorsement. Perhaps the most injurious features which were added during the Senate stage of the measure were the provision cutting reserves of member banks to too low a point and that permitting the introduction of bank notes into reserves as a constituent element therein.

It is now necessary to pause for a moment to consider a counter-current in the legislative history of the measure in the Senate. During the time the bill was under consideration in the Senate committee on banking, a serious political breach had occurred between the administration and its supposed friends. Three Democratic senators who were hostile to the ideas of the Federal Reserve Act had prevented an early unanimous report following the lines of the House bill, and, while two of them had subsequently sunk their differences of view, one had refused to do so and had joined with the political opponents of the measure. The committee was

thus divided into two portions, the one consisting of administration Democrats and those who voted with them, while the other consisted of old-time Republicans, Progressive Republicans, and one anti-administration Democrat. These two sections were numerically equal and both reported bills. That of the amalgamated opposition already described provided for but four reserve banks, and in various other particulars was considerably at variance with the terms of the official measure, which had ultimately been presented by the administration section of the committee. By a resort to caucus action which was early determined upon, it was possible to enlist a majority of two votes on the side of the official draft of the measure which in its ultimate form closely followed the House bill, as has already been indicated. The measure reported by the other section of the committee figured to some extent and was ultimately brought to a vote as a proposed amendment, but was defeated by the majority of two already referred to.

The substance of the work done in conference committee may be summarized somewhat further in order to bring out the points that had been accepted as innovations upon the House bill and those that have been rejected because the changes proposed in them were not deemed wise. Turning first to the alterations in the House bill that secured acceptance, the principal features may be enumerated as follows:

(1) Introduction of provision for sale of stock in federal reserve banks to the public in the event that not enough banks subscribe for the stock to furnish an adequate capital in any given district.

(2) Provision for alternative voting in the choice of directors of federal reserve banks so as to insure prompt election.

(3) Reduction of number of federal reserve banks to not more than 12, as against the "at least 12" of the House bill.

(4) Elimination of requirement that all national banks recharter.

(5) Broadening of powers of Federal Reserve Board and modification of language relating to rediscounts between federal reserve banks, so as to render such rediscounts easier than was intended by the House bill.

(6) Provision that the Secretary of the Treasury might, not must, deposit public funds in reserve banks.

(7) Reduction of reserve requirements placed upon member banks under House bill.

On the other hand, the following important points were yielded by the Senate in the conference:

(1) Omission of provision that holders of stock sold to private individuals (if any) should have voting power in directorates of federal reserve banks and elsewhere.

(2) Elimination of guarantee of bank deposits, by use of surplus earnings.

(3) Elimination of provision that federal reserve bank notes might be counted in reserves of stockholding banks.

(4) Restoration of provision that many classes of checks should be collected at par throughout the country, and that where such par collection was not enforced the charge for making collection should be fixed by the Federal Reserve Board.

(5) Elimination of domestic acceptances, thereby excluding them from use by stockholding banks and from rediscount by federal reserve banks.

(6) Modification of reserve requirements as formulated by the Senate so as to require actual cash reserves in the vaults of country banks (the Senate having entirely dispensed with such reserves after twenty-four months after date of the passage of the act) and general stiffening of reserve requirements made by the Senate, although the final language still constituted a reduction below the House provision.

(7) Reduction of period of maturity for which discountable paper might run from 180 days to 90 days.

While many other points of modification and concession on either side might, of course, be enumerated, it is believed that the foregoing presentation is representative and shows sufficiently well the nature of the conference work and the character of the points conceded on either side. Assuming that such a fair or representative selection has been made, it is evident that the work of the conference resulted in the establishment of the House contentions at nearly every essential point, the exceptions to such a remark being found in two main particulars: (1) the reduction in the number of reserve banks and their limitation to not more than 12 at any time, and (2) the provision that public deposits might or might not be made in the reserve banks at the discretion of the Secretary of the Treasury. While other points were significant and important in their way, it can certainly be fairly concluded that on those matters involving important issues of theory the House virtually held its own in most respects. In

fact, it is an accurate generalization that the final bill as completed in conference committee and as passed by both Houses was a closer approach to the original House draft of the measure than anything that had intervened during the time the bill was going through the various permutations to which it was subjected in its slow progress from one stage to another of the legislative process.

At one other point there was marked and vital departure from the original House measure—the provision with reference to the refunding of United States 2 per cent bonds and the treatment of the currency based upon such bonds. On this subject the final action of the conference was nearly equivalent to the acceptance of a plan formulated by the administration and designed to take the place of all of the various other schemes that had been recommended from different sources in either House. The action as to bonds was, therefore, not a concession by either side but was a virtual surrender by both and an acceptance of the conclusions of the Treasury Department. Barring the two matters already mentioned, the House measure was changed in no respect that affected its essential working; nor could it be said that even in these particulars it had necessarily been subjected to modification, since, in both, the action contemplated by the provisions ultimately adopted was permissive rather than compulsory.

II

What was the origin of this measure? We have already seen, in outline, how the bill had been developed by a gradual process of study under the auspices of a sub-committee of the House Banking and Currency Committee. The student of currency history in its analytical aspect will not, however, be satisfied with this as an explanation of the new measure, but will seek to know from what ultimate sources and with the use of what materials the measure was constructed. The answer to be given to such a question is necessarily complex. The Federal Reserve Act is the product of a lengthy course of development and has grown gradually out of the discussion and analysis of the past twenty years. It is not drawn, even largely, from any single source, but is the product of comparison, selection, and refinement upon the various materials, ideas, and data, rendered available throughout a long course of study and agitation. Many bills embodying the same general line of thought that now finds expression in the new act have been offered in Congress; some have been suggested outside

that body. The most fundamental concept of all—that of uniting the banks of the country into organized groups—is found in the clearing-house organizations, which in time of stress have pooled their resources and converted bank assets into the equivalent of reserve money. The bills prepared by or under the direction of Hon. Isidor Straus, Hon. J. H. Walker, Hon. Charles A. Fowler, and Hon. Maurice L. Muhleman have supplied at least the basis for many of the detailed analyses and methods of treatment that are found in the Federal Reserve Act. Earlier than any of these, was the bill recommended by the Indianapolis Monetary Commission, which did not provide for coöperative unions of banks, but upon which the framers of the present act have evidently drawn for some of their ideas. The latest bill in the long series which was available for study to the framers of the Federal Reserve Act, was that prepared for the National Monetary Commission and called in popular language the “Aldrich bill.” By many the new law is regarded as a partial copy of, or plagiarism from, the Aldrich bill; and that view has been widely expressed both in and out of Congress. That such was not the opinion of Mr. Aldrich himself, his scathing and bitter denunciation of the House bill seems to bear abundant witness.³ It might be enough for purposes of argument simply to appeal on this point from the critics of the measure to Mr. Aldrich himself but that would hardly answer the purpose of historical analysis. The Aldrich bill may be considered from two standpoints, (1) that of its theory and broad general plan on the one hand, and (2) that of its machinery and technique of construction on the other. From the first standpoint, there is no shadow of relationship or similarity between the Federal Reserve Act and the Aldrich bill. From the second, there is at many points a close resemblance. The Aldrich bill provided for a single central “reserve association” with scanty public oversight, with control vested practically wholly in the banks, and with the preponderance of power in bonds of the larger institutions which owned stock. It so arranged things as to keep this “reserve association” relatively inactive except upon special occasions of panic or disturbance. It made no direct provision for the shifting of reserves in part from existing banks to the proposed association, but it relied upon inflation due to the placing of bank notes issued by the central association in the reserves of the stock-

³ *Proceedings of American Academy of Political and Social Science*, October, 1913.

holding banks for protection in time of danger. The new act provides for 12 reserve banks, introduces the principle of local control, calls for strict government oversight, shifts reserves from present correspondent banks to the new institutions, minimizes the influence of the larger banks in directorates, and generally diffuses control instead of centralizing it. It leaves banking as such to be practiced by bankers; it vests the control of banking in the hands of government officers. The theory and purpose of the new act are widely different from those of the Aldrich bill. Where the Aldrich proposal veers widely away from the tendencies that have been developed during the preceding ten years of American banking discussion, the Federal Reserve Act closely follows them. Indeed, the act of 1913 is closer to any one of half a dozen bills of former years than to the Aldrich proposal.

From the standpoint of technique, as already noted, the case is quite different. With regard to stock issues, kinds of paper eligible for rediscounts, and not a few other particulars, the Federal Reserve Act follows lines laid down in the measure which bore the name of Senator Aldrich. In fact, the original House bill, for strategic purposes, retained wherever it could safely do so, the language of the Aldrich bill as regards banking technique, its framers recognizing that by so doing they enormously reduced the hold of the opposition and immensely contracted the field within which the familiar charges of "unsoundness" could find scope. The decision to follow this plan for strategic reasons was amply warranted, as the subsequent conflict with the banking interest showed—that interest having repeatedly endorsed the Aldrich bill, and being, therefore, forced into constant conflict with itself in its criticism of the new measure. The fact that its leading representatives were so early reduced to vague charges of "socialism," "coercion," and "inflation," or "contraction" (according to the bias of the speaker of the moment) clearly demonstrated the difficulties to which they were subjected by the methods employed in preparing the draft of the Reserve Act. Moreover, the most desirable features of the Aldrich bill were found in its sections dealing with banking technique—upon which some of the country's best banking ability had been expended. The "theoretical" portions of the Aldrich bill were of no value whatever to any save a student of methods for producing monopoly. The Aldrich bill and its accompanying documents, in short, contained no revelation of financial wisdom. Nor was there anywhere in those limited portions of

the commission's work which proved of service, a thought not within reach in familiar European banking literature.

Perhaps the most notable and beneficial changes made by the Federal Reserve Act—the transfer of reserves from reserve to central reserve city banks and the provisions for par collection of checks whenever possible—were not mentioned either in the Aldrich bill or in those of its predecessors already referred to. They were not only new elements in the movement but were undoubtedly among the elements in the measure which proved hardest to enact into law. From the beginning, the most strenuous opposition was offered to them, notwithstanding that both features were admitted to be sound in principle. It was, therefore, only after a sharp contest that they succeeded in gaining a definite foothold, inasmuch as they constituted a new and distinctly distasteful element in the whole legislative proposal.

A review of the detailed provisions of the measure shows, therefore, that, while the conception of banking reform upon which it is founded is the same that has constituted the staple of the banking reform movement of recent years, and while the conception of a union of banks is directly borrowed, as in other bills of the past decade, from the actual practice of the banks themselves as developed under the stress of circumstances in the form of clearing-house organizations; while, moreover, certain phases of the technique of the legislation itself followed the lines of the Aldrich or Monetary Commission bill, and while other portions of the act have been adapted from well-known legislative proposals that have figured within the past few years of banking discussion, the act as a whole is based upon a conception and plan entirely its own, applies in many fundamental respects methods of control and administration that have been given at least a new form, and includes several important innovations, not heretofore conspicuous in banking discussion although admittedly significant, not to say necessary to any thorough reorganization upon sound principles. That the act also contains some elements that may be regarded as reminiscences of the less desirable and more objectionable phases of banking agitation, is equally certain. These are seen in the underlying concept of the federal reserve notes, which are thought of as government currency loaned to banks, and are thus at least theoretically, although not practically, in line with so-called "government currency" schemes of past years.

Other defects of treatment inherited from the past agitation of

the subject are seen in section 18 dealing with the retirement of government bonds, in which is perpetuated the view that, if possible, bond-secured currency must be maintained at something like its present level in order to insure the existence of the "needed money" in the country independent of the "elastic currency" provided for by the terms of the enactment. It is probable also that in several of its provisions designed to prevent the participation of bankers, or those who are interested in banking institutions, in the management of the new system, the legislation will be regarded as open to criticism and as having drawn too heavily upon radical proposals of former years. One of these may be cited as an example. Under the guise of a clause revising the visitatorial powers of the government with respect to banking institutions (section 21), there is inserted in the measure an implied authority for the examination of banks by congressional committees—a power which was proposed during the so-called Untermeyer reform movement directed against the "Money Trust" in 1912, but which was then refused by Congress. It will be pretty generally conceded, even by "conservative" critics, that none of those particulars in which the new measure has been influenced by past legislative currents popularly regarded as unsound is very serious in its practical effect. The fact will remain that the influences have been present and that the bill bears the marks of the struggle through which it passed and of the varying views of widely different minds which had to be consulted or considered in connection with its making. All this is so unmistakably true that it must be recognized even by hasty students of the history and origin of the legislation of 1913. It has thus not owed its inspiration to any single source, notwithstanding that the underlying and guiding principles of its composition are those which have been long since recognized as being the necessary basis for genuine banking reform in the United States. It is a notable fact that many of those who have, after a cursory study, attributed a given origin to the measure, and have most positively asseverated its resemblance to given examples of legislative have subsequently, upon closer acquaintance with its terms, seen good reason to alter their position and have wholly abandoned their earlier attitude of mind.

III

It is now necessary to devote some attention to the new legislation from the broad general standpoint and to note the signifi-

cance of the measure as it finally became law. To the student of banking it need hardly be said that the striking aspects of the legislation are these three: (1) the creation of a general discount market for commercial paper; (2) the systematic pooling of reserves of existing banks; and (3) the provision of an elastic currency. In the multitude of details provided by the legislation, and in the various adjustments rendered necessary by it with respect to government deposits, bank reserves, examinations, and other more or less important matters, it is noticeable throughout that everything done has been for the purpose of promoting the objects already enumerated, and of insuring the transformation of American banking from its present basis of organization to its new proposed type of effort. If these chief objects shall be accomplished in actual practice, the legislation will have been amply warranted, and, it need hardly be said to a professional reader, will completely revolutionize the banking and credit situation, to the great profit not only of the banks themselves but of their customers. That the banks will greatly profit under the bill is susceptible of easy mathematical demonstration. That the business public will profit in a far higher degree than the banks is less obvious but is a fact which constitutes the chief basis for the legislation. Were it not true, the time and effort expended in securing the present result would scarcely have been warranted. In its real essence, the new law is in fact and in the best sense of the term a "business man's measure."

Heretofore, American banking has been too largely an agency in the service of speculation. This statement is borne out by the following considerations: (1) The rates controlling the flow of gold out of the United States have been those dictated by the call loan market, not those prevailing in the commercial discount market; (2) the funds which the banks desired to have ready to hand have been customarily invested in demand loans on stocks rather than in quick commercial paper or short-term foreign exchange; (3) in times of crisis or pressure, the banks have shortened loans in this country instead of, as in foreign countries, enlarging them to accommodate legitimate borrowers. If they have undergone sacrifice, it has been for the primary purpose of upholding and safeguarding the stock market.

The new act changes this condition in the following ways: (1) It transfers a small but necessary fraction of the ultimate reserve money of the country to government-inspected institutions, lo-

cated in various parts of the country, where they will be quickly responsive to, and in sympathy with, business necessities, and prescribes by rigid rules that these funds shall be applied solely to commercial needs and to nothing else, since the loans that may be made by these new banks are narrowly restricted in term and in character; (2) it broadens the methods of doing business allowed to national banks, so far as relates to investments in legitimate commercial paper, and narrows them correspondingly, so far as relates to investments in stocks and bonds; (3) it increases the loaning power of the banks of a given community, and promises to such banks, when in need of assistance, the support which will be derived from the combined resources of their fellow banks in the same community or region. Its effort is thus to promote the growth of commercial credit and to protect that credit when brought into existence. It differs from the present law, in that it refuses longer to look upon the business man as one who "borrows money" at a bank, and regards him as one who manufactures a commodity—commercial credit and the paper representing it—which he sells to banks, and which it is the function of the latter to insure and to keep liquid. It regards the duty of the bank as being, above all things else, that of maintaining specie payments and sustaining the solvency of the community; and it declines to consider the banker as one whose duty it is to promote enterprises, float issues of securities, or aid in stock speculation. That all these phases of financial effort have their place—a desirable place when properly defined and recognized—the act fully concedes, but it holds in principle that that place is not found in connection with the work of commercial banks.

If the business community contents itself with simply continuing its present methods of operation, it will derive great advantage from the law. It will find: (1) that local banks will be able, by rediscounting the paper of local enterprises, to provide the funds needed by such enterprises in their operations; (2) that there will be no such wide fluctuations of interest rates either geographically or from season to season as now exist; (3) that there will be no necessity of emergency measures to safeguard the country from the possible results of financial panic or stringency. Credit will be more simply available, cheaper, and more equitably open to all. Not the least advantage to the business man will be found in the provisions with respect to bank examinations; since through these, it may be hoped, many operations which have been

the disgrace of American banking in the past will be early detected and corrected before they have had time to eat out the heart of institutions which might otherwise have continued sound and solvent. This is equivalent to saying that, under the new law, credit, even if there be no change in business methods, will be cheaper and more evenly diffused, as well as more steady and more certainly to be counted upon by those who do business by acceptable methods. But the community will not gain the greatest advantage from the measure if it adheres merely to established types of operation. The new act provides for the creation of a true discount market, such as has existed for many years in every European country. This means that every merchant of established local credit may in the future count upon a free sale for his paper throughout the reserve district in which he is situated, and to a somewhat lesser degree generally throughout the country. The rediscount principle, when fully worked out, taken in connection with the use of the acceptance system, will enable the sound, even though small, manufacturer or trader to get the advantage of the best rates of commercial credit that prevail anywhere within his region of the country. If there is capital to spare—unemployed and seeking occupation—he may expect that, through the general sale of bills under the new system, such capital will be available for the purchase of his paper and will be so employed. By the judicious use of the acceptance, the local bank will be enabled to facilitate the movement of goods into and out of the country, and will at once make the utmost of its own capital and at the same time enable its clients to gain the widest employment for their own resources. The net result of these various influences should be: (1) considerable reduction in average rates of interest on commercial paper throughout the United States, (2) very great reductions in the rates in certain sections remote from commercial centers; (3) stability and certainty in distribution of credit; (4) creation of new and more convenient types of paper.

Not the least important of the provisions of the new measure is that which assures to the business man the cheaper collection and transmission of his funds. The act provides for the deposit of many classes of checks and drafts at par with federal reserve banks, and it thereby aims to establish a parity of exchange among banks within every federal reserve district and then between the federal reserve banks themselves. It permits charges to

be made by member banks that correspond to the actual cost to them of collecting funds for their clients, but it places these charges under federal control and specifically authorizes the Federal Reserve Board to restrict them by rule. This is as it should be. In years past American commerce has suffered severely from the infliction of high, not to say, excessive, charges for check collection upon business men throughout the country. So far has this type of extortion been carried that it was testified by country banks during the past summer that in many instances fully one half of their earnings were due to such charges, and that they could not get along without them. Such exorbitant rates were maintained by agreements among banks and the development of a code of what is called "banking ethics," whereby banks were prevented from cutting the excessive charges had they been so minded. Much of this evil may be expected now to disappear. The banks will be restricted, when the system is fully in operation, to moderate rates; and thereby a great burden will be lifted from the backs of the commercial community. In the opinion of some, this burden will in part be removed by the process of clearing checks instead of collecting them, which is to be inaugurated under the new system. But whether it does so disappear or not, the merchants of the country will be relieved of the excess charges made by the banks in the way already indicated. In many instances this will save thousands of dollars annually to individual firms.

A less direct, although most important, aspect of the new law in its relation to business is seen in the economy of gold that will be effected under it. The original bill provided for maintaining reserves at about their present height, in the belief that ultimately the governing board would let them all down to the level prescribed for country banks. The final act makes a very great reduction in reserve requirements and will release a great volume of money after all new needs for the reserves of the federal reserve banks have been complied with. That this will produce some danger of inflation during the transition period—a danger that will need to be carefully guarded against by the best sense of the banking community—is evident. After that period has been passed, the reduction in the amount of gold that must be carried constantly in bank vaults will really be far-reaching. The United States has for many years been obliged by its antiquated banking methods to use much larger gold reserves than any other country

in the world in proportion to business done. This was as much a waste as any other unnecessary employment of capital. It meant that the actual cost of operating a bank, which had to be recovered from borrowers in interest charges, was greater in proportion to the enlarged expense of carrying an unnecessarily high reserve. This cost in turn was heightened in times of panic by the very great expense that had to be incurred for the sake of getting more gold with which to build up the reserves when the latter had been depleted. By lessening this important item of cost in banking and by reducing the exceptional and sporadic elements of cost growing out of panic conditions from time to time, reductions of interest rates will be rendered feasible and will ultimately transfer their effect to the commercial world. In this same connection it deserves to be noted that the new system will also render the control of the country's gold supply much easier and simpler. It will provide the machinery for dictating, upon occasion, changes in rediscount rates intended to prevent exportation, and upon other changes intended to aid importation. The mechanism will be automatic and effective and will replace the antiquated, costly, and not very effective methods that have had to be followed in the past. This will directly aid the man engaged in foreign trade and will immensely assist in the management of foreign exchange operations. Exchange will be furnished at much less cost to the community and our rates of exchange will be much more closely harmonious with those of the rest of the world.

In times past, there has been constant and well-founded complaint that American business men engaged in foreign trade or operating branches of their houses abroad were obliged to depend upon foreign banks for their accommodation or else finance themselves practically unaided. Where, as in the South American trade, it has been necessary for the American business man to resort to branches of European banks established in the various countries, it has been asserted that such banks, working as they did in close harmony with merchants of their own nationality, were often unfaithful to their American clientele, allowing competitors to know their business operations, and, when disposed to do so, cutting off their credit in favor of such rivals. These charges have had more or less foundation, and it has certainly been true that the banking accommodation of Americans engaged in foreign operations has been poor even at the best. Under the

new law, banks of moderate capitalization may, under the supervision of the Reserve Board, establish branches in foreign countries, and operate them subject to very broad and liberal terms of business management. This should end the constant complaint about lack of banking accommodations and should place Americans in the foreign trade upon a footing of equality with foreign competitors. It is true that, as has recently been noted, the United States lacks a supply of well-trained bank managers acquainted with foreign practice and ready to expatriate themselves for the time necessary to carry on a branch office elsewhere. Such shortage of trained men will, however, be overcome as soon as opportunity of a real sort is offered, just as the lack of well-prepared consuls has already been overcome in a very large degree, since the consular service was placed, at least partially, upon a footing of efficiency, and promotions made in a measure according to merit. It may be confidently expected that American foreign trade will within a short time be afforded all the assistance that it can reasonably call for under the very liberal provisions now made for foreign branch banking.

The general management of the new system has wisely been taken, in part, out of the hands of bankers; and has been placed, in a measure, in those of men representing commerce, industry, and agriculture. This is not because of distrust of bankers or because of a feeling that special discrimination should be shown in favor of given classes in the community. It is due to a feeling, everywhere recognized, that the industrial portion of the community should be given a voice in the management of the commercial credit of the nation, and that banking is, in its highest and best sense, a semi-public function, carried on, not merely as a means of profit, but for the sake of providing for social wants in the creation of credit and the maintenance of redemption. The business man, in the best sense of the word, is expected to take a living and direct part in the work of carrying on the new system, no matter whether he owns stock in any bank or not—and perhaps the more freely if he does not own such stock. He will thus be drafted into service because of the significance of banking to every class and section of the country, and because of the perception that it, like transportation, is no longer to be considered solely a private money-making industry.

To get the full advantage of the system, the business man needs to arouse himself to a new conception of his functions and duties.

He needs to bring his methods of borrowing and his view of commercial paper into harmony with European practice, to accustom himself to prompt payment of notes and bills without extended renewals and to the putting of his business upon a short-term cash basis. He needs further to familiarize himself with the idea of banking in the larger sense as distinct from a mere note-shaving and stock-manipulating occupation, and to prepare to share actively in the management of the new reserve banks and their branches, in which important places have been reserved for him. When he has fully developed himself along these lines, he will find the new legislation perhaps the most important step in the progressive development of business, in the broader sense of the word, that has for many years been taken by the federal government. It has the distinction, almost unique among recent acts of legislation, of being not a restrictive or hampering but a constructive measure in its purposes and methods. Much of its success will depend upon the business man and his attitude toward it.

IV

Little has been said, in the foregoing discussion, of the technical aspect of the new banking measure, its effect upon the types of commercial paper employed by the community, its probable alteration of the distribution of reserves throughout the country, or its influence upon competition between banks. In each of these fields the act will produce a very great and far-reaching transformation. To indicate the limits of this transformation, to show exactly how the new machinery must be put into operation and the points at which difficulty will be encountered, would involve a more extended treatment than can be afforded within the limits of this paper. Each one of the topics indicated, as well as several others that might be suggested, calls for elaborate and detailed study, and cannot be dealt with without danger of error—at least, until some further experience has been obtained under the law as an actual working factor. The time will come in the near future when precise statements can be made regarding the exact nature and extent of the changes necessarily to be expected under this statute. First among the events which will greatly contribute to clarification will be the action taken by the reserve bank organization committee, now at work, in the division of the country into banking districts.

HENRY PARKER WILLIS.

THE NEW INCOME TAX

The new income tax law, which is known officially as Section II of the Tariff Act of October 3, 1913, is the result of a movement that has been going on in this country for over a third of a century. The great western democratic upheaval which brought forth the many radical granger laws of the seventies and eighties dominated not only state but also national legislation and forced the enactment of the silver, interstate commerce, and anti-trust acts. It produced, also, as a part of the same general legislation, the income tax law of 1894, a law not premature in the time of its enactment, but, nevertheless, one which was soon nullified by the United States Supreme Court in a decision that the great majority of citizens considered a radical reversal of long standing precedents and an unwarranted overthrow of the will of the people. No decision during the present generation has so shaken the confidence of the masses in the fairness of this high tribunal nor has any brought forth so many assaults upon its integrity. Perhaps even more lamentable was the arousing and increasing of class prejudice throughout the nation.¹

It was some time before the masses and their leaders recovered from the shock of this decision. The great western movement had been effectually checked and thwarted; the former silver legislation had already been repealed; the great trusts had succeeded in circumventing the anti-trust law; and the gold forces were soon to establish their standard upon a firm foundation. Any effort to secure an income tax seemed hopeless unless the Supreme Court could be reorganized or an amendment to the federal Constitution adopted. The former alternative was impossible so long as the opposing hosts were in political power, and the latter was almost equally hopeless because people had almost come to believe that formal changes in the Constitution were practically impossible short of civil war. The gradual relief from the prolonged economic stress of that period tended to lessen the pressure for an income tax, and before long the attention of the nation was diverted by the Spanish-American War and the great industrial revival and scramble for world markets, which followed that event.

But in spite of these facts, there were several attempts to circumvent the court's decision and to accomplish by indirection

¹ Seligman's *Income Tax* (1911) contains an admirable discussion of this decision and of the succeeding efforts to secure a national income tax.

what had failed through direct means. During the Spanish-American War it was proposed to tax the gross earnings of corporations, but when the bill "emerged from committee, it provided for a special excise tax on the gross receipts of companies refining petroleum and sugar." Obviously, it was meant to appear as a tax upon two of the most unpopular trusts. This bill became law and the Supreme Court held it to be not in conflict with the income tax decision. A federal inheritance tax of the same period was upheld also as not being a direct tax within the meaning of the Constitution.

Various political leaders, including President Roosevelt, expressed not only the desirability of a federal income tax, but also the belief that one could be framed in such a way as to be upheld by the court. After the Democratic party had put in its platform of 1908 a demand for a constitutional amendment, Mr. Taft, as the candidate of the Republican party, expressed the opinion that no constitutional amendment was needed, but that if the protective system should fail to furnish enough revenue an income tax that would be upheld could be devised. But in his inaugural address, he said nothing about an income tax; instead, he suggested an inheritance tax if customs revenues should prove inadequate. A provision for such a tax was introduced into the new tariff bill of 1909, but the opposition by the states to a federal tax on inheritances and the western demand for an income tax were so great that the inheritance tax provision was dropped.

But in order to head off the movement for a general income tax, the Republican leaders were forced to favor a low excise tax upon corporations and to provide for the submission of a constitutional amendment, perhaps with the belief and hope that it would never receive the requisite approval of three fourths of the states. The fate of the amendment was doubtful for some time, particularly after its rejection by New York, Massachusetts, and other influential states. In fact, it did not become law until 1913, that is, not until after the leaders of the new Democratic administration had decided to enact an income tax under the guise of an excise tax if the amendment should fail or if its adoption were delayed longer. But its final ratification just at the time the new administration came in opened the way for a direct income tax, and the new law is the result.

As was to be expected, many criticisms of the bill were made while it was pending. Before it was finally passed several minor

changes were made, but few amendments involved fundamental principles. All classes of interests throughout the country conceded that it would be enacted substantially as introduced and few offered objections to the general principle of income taxation. Many did object, however, to various details, particularly to the high exemption or abatement and to the provisions for collection at the source. The life insurance companies conducted probably the most extensive campaign to modify certain provisions, and with some though not entire success.

Since the law went into effect a short time ago, criticism has broken out anew. Legal proceedings have already been begun to test its constitutionality; many bankers and holders of interest coupons have complained of its inconvenient and vexatious requirements; and the press of the whole country has been flooded with statements of lawyers, bankers, and others to the effect that the provisions of the law are intricate, inconsistent, and incomprehensible. Apparently there has been a concerted movement to force upon the whole country the impression that these characterizations of the tax are true.

As a matter of fact, there is a considerable amount both of truth and of untruth in these assertions. The income tax law as enacted is comparatively brief and for the most part is merely a framework of general principles upon which to build up the details of the structure. These main principles are fairly simple and easy to comprehend. But the act provides that the details shall be worked out by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury. Inasmuch as the law is still very new, comparatively little of the structure has been erected and fixed in final form as yet, but new rulings are being issued rapidly, and in due time points not definitely and specifically covered by the act should be intelligible and clear to all concerned. It is not reasonable to expect that a new system of the proportions contemplated by the law can be established all at once without some inconvenience and some difficulties of interpretation. Income taxes in other countries have usually provoked widespread and continued opposition at first and have later been accepted as among the most satisfactory of taxes.

The new tax has been modeled partly upon those of 1894 and the Civil War period, partly upon the recent corporation tax, and also to some extent upon the English income tax. Its adoption to meet the deficit expected from the lower tariff rates is somewhat

analogous to England's adoption of her income tax in 1842 in connection with the repeal of the corn laws. The demand of the English manufacturers for cheaper food for their employees was not without some counterpart here, and it is probable that this demand, together with the demand for cheaper raw materials, will operate with even greater force to reduce tariffs in the future.

In accepting the principle of progression, the new law departs from that of 1894 and follows the principle of the English super-tax which was successfully resisted in that country for many years but finally adopted in 1910. It does not follow the English principle of differentiation between earned and unearned incomes, a reform approved there in 1907, nor does it divide incomes into schedules as does the English law. But in the fundamental administrative matters of assessment and collection of the "normal tax," it does follow the English principle of stoppage-at-the-source rather than the Prussian system of self-assessment of the lump-sum income of each individual.

Further discussion of the new tax will be clearer after an analysis of the provisions of the law. The constitutional amendment making the law possible is as follows: "Congress shall have power to lay and collect taxes on income from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration."

Chief Provisions of the New Law

Except as otherwise provided, the new income tax is to be levied "annually upon the entire net income arising or accruing from all sources in the preceding calendar year to every citizen of the United States, whether residing at home or abroad" and to every resident alien. A like tax is to be levied upon the "income from all property owned and of every business, trade, or profession carried on in the United States by persons residing elsewhere."

The term "income" includes such gains and profits as wages, salaries, interest, income from trade, business, professions, sales, and transactions of every kind, but it does not include proceeds from life insurance policies nor the value of property acquired by inheritance or gift. The inclusion of the word "accruing" makes the tax payable for the year in question, even though the income may not be actually received until later.

The income tax is really composed of three fairly separate and distinct taxes: first, and simplest, a "normal tax" of one per cent

upon the entire annual net income of every corporation; second, a "normal tax" of one per cent upon the excess above \$3,000 of every individual's net income (\$4,000 deduction allowed married couples); and third, a graduated "additional tax" upon the excess above \$20,000 of every individual's net income. That is, corporations are not allowed the \$3,000 deduction, but, on the other hand, they are subject to the "normal tax" only, not to the "additional tax," as are individuals. Insurance companies, however organized, joint-stock companies, and associations are treated as corporations. The incomes of partnerships are to be returned and taxed as parts of the incomes of the individual partners.

The rates of the "additional tax" upon parts of the net income are as follows:

Amount	Per cent
\$20,000 - \$50,000	1
50,000 - 75,000	2
75,000 - 100,000	3
100,000 - 250,000	4
250,000 - 500,000	5
500,000 - any excess	6

In computing an individual's net income for purposes of both normal and additional taxes, the following deductions are allowed: first, necessary expenses actually paid out in carrying on any business, but not including personal, living, or family expenses; second, interest on indebtedness; third, national, state, and local taxes, but not including those assessed against local benefits; fourth, losses not compensated for by insurance or otherwise; fifth, worthless debts; sixth, depreciation, but not expenses for betterments.

Three other deductions are allowed individuals for purposes of the normal tax, but not for purposes of the additional tax: first, the \$3,000 abatement already referred to (\$4,000 for married couples); second, corporate dividends and earnings upon which the corporations pay the tax; and third, amounts of income upon which the tax is withheld at the source. It will be pointed out later that the second of these deductions will not always avoid discrimination when applying to this class of incomes; in its practical workings there is more difference between it and the third deduction than appears at first glance.

The deductions allowed corporations are much the same as the first set for individuals but there are exceptions worth noting.

Nothing is said in the law relative to the deduction of a corporation's worthless debts, but a ruling will doubtless permit this. Corporations are prohibited from deducting taxes which they pay upon interest of bonds in pursuance of a previous guarantee that such interest will be tax free to the purchasers, and all future contracts relative to payments of the income tax, whether by corporations or others, are declared invalid. If the interest-bearing obligations of corporations exceed their capital stock in amount, they may deduct only half the interest on such excess indebtedness. This latter provision prevents an evasion of the corporation tax by substituting bonds for stocks and incidentally it discourages excessive bond issues.

Furthermore, corporations are not given the right to deduct the amounts of income derived from other corporations, as are individuals. That is, holding company profits will be subject to double taxation. Insurance companies may deduct net additions to reserves required by law, and any sums other than "dividends" paid upon policy contracts. They are not required to include as income parts of premiums which are paid back or credited as abatements on other premium payments within the year. Here is a conflict as to the term "dividends" which will be noticed later.

Both individuals and corporations are required to take the initiative in filing claims for deductions. The claims of individuals may be filed either with the corporation or other "source" authorized to withhold the tax, or with the internal revenue collector of the district. Corporation claims may be filed with the collector only.

The law allows a number of exemptions, most of which are for the purpose of avoiding constitutional difficulties, though some are partly for administrative and political reasons. It exempts the interest upon all federal, state, and local, but not foreign, government bonds; the compensation of state and local, but not federal, government employees and officers; and the salaries of the present President and federal judges for their present terms. It exempts numerous organizations not operated for the profit of stockholders, as, for example, labor, agricultural, fraternal, religious, charitable, scientific, educational, civic, and similar organizations. In this group are included savings banks not having a capital stock represented by shares and domestic building and loan associations. It exempts also the income derived by a state

or other governmental subdivision from a public utility or from the exercise of any essential governmental function.

The normal tax (one per cent) upon the net income of every corporation is to be paid by the corporation for itself, that is, there is to be no collection of this tax from debtor sources. On the other hand, the normal tax upon incomes of individuals is to be collected at the source so far as seems practicable; that is, a corporation or other "source" of an individual's income, before paying the individual, is to deduct the tax, turn it over to the government, and pay the remainder only to the individual. The term "source" includes not only the original payer of the income, but also any agent who has the payment or control of the income at any of its stages. Of course, arrangements are made to prevent more than one "source" from deducting the same tax.

Though collection of the individual's normal tax at the source is the rule, there are some exceptions probably as important as the rule itself. The tax is not to be withheld at the source if the income is indefinite or irregular as to amount or time of accrual, nor in other cases is it to be thus withheld until the amount due an individual within any one calendar year exceeds \$3,000. In these exceptional cases, the income is to be returned or reported personally by the individual for purposes of the normal tax, as well as for the additional tax. There is one important exception to the last-named exception. In the case of interest on corporate obligations, the tax is to be withheld by the corporation or its agent, although such interest does not amount to \$3,000. This has particular reference to interest coupons payable to bearer, and will be noticed hereafter.

In addition to the exceptional cases mentioned in the last paragraph, the individual is to return personally, also, all his net income which does not pass through other's hands, as, for example, incomes from business, professions, sales, trade, and other occupations and transactions managed by himself. He is not required, however, to make any personal return whatever, unless the total amount of his net income that would otherwise be subject to personal return exceeds \$3,000. If this latter class of income, which neither he nor any one else returns, is less than his allowable deduction, and if he has other income which is taxed at the source, he can secure the full amount of exemption by filing claim for the additional amount to which he is entitled with the withholding "source" or with the collector of internal revenue.

All persons, firms, corporations, guardians, executors, lessees, and others having the control or payment of incomes are not only required to withhold the normal tax as outlined above, but they are also personally liable to the government therefor.

It is to be noted that the preceding paragraphs relative to withholding the tax at the source have reference to the normal tax rather than to the additional tax. It is not intended that the latter should be collected at the source. For the purposes of the additional tax, every individual having a total net income in excess of \$20,000 is required to make a personal return of such income. He must include in his return, not only everything he would include for the normal tax, but also the parts of his income from which the normal tax is withheld at the source. Furthermore, he must include both corporation dividends which he actually received and also the proportion of undivided corporation profits to which he would be entitled if the same were divided and distributed. It is obvious that the additional tax could not be withheld at the source, inasmuch as it is graduated according to the total income of the individual, for no one of his debtors or "sources" would know the aggregate of his various incomes and hence would not know the rate applicable.

Every person or concern collecting the incomes which arise from the foreign investments of Americans is required to obtain a license from the Commissioner of Internal Revenue and is subject to his regulation. No charge is made for the license but bond may be required. This is in pursuance of an English practice which has proved very advantageous in the intercepting of incomes that formerly escaped. It will be relatively less important here on account of fewer American investments abroad.

Upon special request, the collector of internal revenue may require returns of incomes which do not exceed \$3,000 and he may make almost any other reasonable requirement for information from individuals or corporations relative to their own incomes or those of others. The federal district courts may compel the production of books and the giving of testimony; and, upon due notice to the person concerned, the collector may revise returns which he believes to be incorrect. Rather severe penalties are provided and any omission or fraud discovered within three years may be corrected. Aggrieved persons may appeal to the Commissioner of Internal Revenue.

For the purpose of putting the law into effect, \$800,000 is

appropriated for the fiscal year ending June 30, 1914. The act authorizes the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, to appoint and pay from this appropriation all necessary officers and employees and to provide for all other necessary means of carrying out the law. No agent paid from the appropriation is to receive a higher rate than that now received by travelling agents of the Internal Revenue service, and no inspector is to receive more than \$5 per day and \$3 additional in lieu of subsistence. Subordinate employees may not be paid at a higher rate than that now paid for similar service in the Internal Revenue service. For the central office in Washington, the law provides for the appointment of one additional deputy commissioner with a salary of \$4,000 and two heads of subdivisions whose compensation shall not exceed \$2,500 each. Appointments, except for clerical force below the grades of chiefs of divisions, are removed from the civil service requirement for a period of two years. The force of officials, when not employed in carrying out the provisions of the income tax law, are to be employed on general internal revenue work.

Criticisms

So far as the general principle of an income tax is concerned, argument is scarcely necessary today to convince either economists or the public that family income is a more equitable measure of taxation than is family consumption of the usual tariff-taxed commodities. Though there is less unanimity regarding progression, nevertheless, the tendency in all countries and among both the theorists and the masses is strongly in the direction of graduated or progressive taxation, and the present income tax is distinctly in harmony with this tendency.

It is true that a proportional, or flat-rate, income tax would be much easier to administer and would cause much less evasion and fraud than a highly progressive tax, and for this reason, some authorities pronounce the progressive feature impractical, though more equitable in theory. It is very probable that the gain in administration in the beginning would have more than justified the imposition of only the normal tax or some similar tax. After administration had been perfected, the addition of a super-tax would then have caused much less difficulty and evasion than will occur under the present law. But the masses are not versed in the administration of taxes, and public opinion would not have accepted

a law so contrary to popular ideas of justice; hence, we have begun with progression, a principle which England refused to accept for seventy years for fear it would demoralize administration.

As to what the rate of progression should be there is little agreement of opinion. No satisfactory theory which is capable of practical application has as yet been evolved. In the practice of most countries, the first steps in this direction are usually conservative, and rates are generally called confiscatory, or discouraging to productivity, probably much before they actually reach such stages. The rates of progression in the present income tax are thus conservative when we consider the size of the deductions both for the normal and for the additional taxes.

It is to be noted that the higher rates do not apply to the entire income, but only to the excesses above the given steps for the respective rates. Thus an individual with a net income of \$700,000 will have to pay the additional tax of six per cent not upon \$700,000 but upon only the \$200,000 in excess of the last step of \$500,000, and he will have to pay five per cent upon only the amount between the \$500,000 and the next lower step of \$250,000, and so on throughout.

In discussing the rate many seem to overlook the great difference between an income tax and a property tax expressed as the same percentage. For example, a one per cent property tax on five per cent bonds amounting to \$100,000 would be \$1,000, whereas a one per cent income tax would be only \$50, assuming that there are no exemptions in either case. Under the liberal deductions and exemptions of the present law, however, the income tax will be even less. It is almost insignificant or non-applicable so far as the great majority of incomes are concerned. For example, a married man with a net income of \$5,000 will be required to pay an income tax of only \$10; incomes of \$20,000 will pay only \$160; those of \$500,000 will pay \$25,020, or only five per cent. The latter is the equivalent of a property tax of 50 cents on \$100, if investments yield five per cent. These net rates are lower than are the rates for the corresponding amounts in most countries, as, for example, in England, Prussia, Austria, and Italy.

It is impossible to consider net rates without considering deductions and exemptions. Perhaps no feature of the present law or of the 1894 law has been more severely criticised than the high deduction or abatement of \$3,000 allowed each individual (\$4,000

for married couples. The abatement in the law of 1894 was \$4,000). In the United States the same abatement is allowed on all incomes regardless of their amounts. In England the amount of the abatement decreases as the amount of the income increases. There the largest abatement allowed is £160 (\$800) and that only in case the income does not exceed £400 (\$2,000). Incomes totalling between £400 and £500 are allowed an abatement of £150; those between £500 and £600, an abatement of £120; and those between £600 and £700, an abatement of £70; but incomes in excess of £700 are allowed no abatement. However, additional allowances are made for life insurance, charity, and hospital expenses, and if a man's income is under £500, he is allowed an additional abatement of £10 for each child under sixteen years.

In Prussia, 900 marks (\$214) is exempt, and if a person is assessed for a taxable income of not over 3,000 marks (\$714) he is allowed a deduction of 50 marks (\$12) for each child under fourteen, or for each relative that he is legally bound to support. In case the income is between 3,000 and 6,500 marks, there is a reduction of one grade if three or four children or relatives have to be supported, and a reduction of two grades if the number is five or more. In Austria the regular abatement is 1,200 crowns (\$240); in Italy, 400 lire (\$77.20); in New Zealand, £300 (\$1,500); in New South Wales, £200 (\$1,000); and in Queensland, £200 if the income is entirely from personal exertion. Most of these countries allow some additional abatements, for example, for life insurance, children, or other causes of expense which it is thought should not be discouraged.

As compared with other countries, then, it is evident that our \$3,000 abatement is high. It is most frequently criticised as being so high as to make the tax, in effect, a class tax upon the rich, which can be voted by the poor, and a sectional tax upon the East and Northeast, which is voted by the West and Southwest. There is much truth in these criticisms; and a survey of the states and congressmen ranged on the different sides of the amendment and of the new law confirms this statement.

But, notwithstanding this fact, something may be said in justification of the abatement, high as it is. The standard of living is higher in the United States than in most countries; and it is to be noted that abatements elsewhere are highest where the standard of living is highest, namely, in the English colonies. As compared with previous United States income taxes, the differences in

abatements are not so great as they appear; \$3,000 has no more purchasing power today than \$2,000 had in 1894. The same is true of the Civil War taxes, and these, it should be noted, were emergency measures.

In any consideration of the new income tax, it should be kept in mind that it is a supplementary and not an exclusive source of revenue. According to the Treasury estimates it will not produce half as much as the lowered tariff rates, to say nothing of other taxes. The new tariff schedule, though less objectionable than the former one, may still be considered a class tax which discriminates against consumers, that is, against those with small incomes; hence equity calls for an offsetting class tax upon the rich. There is some truth in the objection that the masses will take little interest in governmental extravagance because they pay none of the new tax, but the same objection applies with almost equal strength to the tariff so far as any practical effects are concerned. Although state and local taxes are paid largely by the middle classes, expenditure seems to be accompanied by about as much extravagance and graft as in the case of federal finances. There are numerous exceptions, particularly in the smaller local units, but in neither case does the individual taxpayer as such have sufficient interest to cause or justify the inconvenience and expense of an effective protest.

If the tax hits the East and particularly New York City especially hard, it is because these are the localities of the large incomes; and they will be able to pay in proportion. Many receivers of large incomes, in fact, the most conspicuous ones, did not live in New York City originally, but moved there because of its advantages as a commercial and financial center, or as a place to spend large incomes. Not only has much of the wealth of this American metropolis been accumulated elsewhere, but a large share of it still comes directly or indirectly from other parts of the country. The same is true of other large centers. These incomes arise from oil, sugar, steel, railroads, and a thousand different forms of wealth which minister to the wants of our 100,000,000 people and which at the same time levy tribute and keep it pouring into the great centers, and particularly into the coffers of the nation's captains of industry.

Such incomes are not local but national in the highest degree and should therefore most appropriately be assessed for national taxes. These centers and their wealthy residents have cause for

satisfaction and thanksgiving that their incomes are so bountiful, and that the country has provided them with such great opportunities, rather than occasion for criticising the requirement of a moderate contribution to the nation which has rendered such incomes possible. To collect taxes on these incomes by apportionment, whether according to population or area, would be manifestly unjust, and it was because of this injustice that the constitutional amendment was necessary.

Without doubt, the desire to level incomes, and the willingness of politicians to cater to the prejudices of the masses have had some part in the demand for the income tax. The movement is a part of the great unrest of the present generation which will produce many radical changes before it has spent itself. But past experience indicates that, though radical in their entirety, they will be brought about very gradually. Formerly the income tax was objected to, no doubt, as being an entering wedge rather than because of its immediate effects. Today opposition to the principle receives little support from any source. If the time shall ever arrive when this tax is the chief or exclusive source of revenue, to make it a class tax upon the rich, which can be increased or decreased at the will of those who do not pay it but who receive the benefits of its expenditure, will be as unjust as the making of any other tax a class tax for the benefit of other classes. But it is doubtful if it would be more unjust, in such a case, than have been tariffs and other taxes from time immemorial.

Another important consideration is the matter of administration. The new law provides for the same abatement upon all individual incomes with only one exception, that is, in case of married couples an additional deduction of \$1,000 is permitted. These abatements are high enough so that they may be considered to include the numerous small abatements which other countries allow for children, insurance premiums, hospital expenses, etc. Many varying abatements add much to the complexity of administration.

Furthermore, high abatement, which permits the escape of such a large proportion of the incomes, at the same time permits the avoidance of the assessment of those incomes which involve the most expense in proportion to the revenue obtained. To reach the smallest incomes, indirect taxes are more practicable. A substantial lowering of the abatement would not increase revenue receipts as fast as it would multiply difficulties of assessment and collection.

But most important of all, we have not yet developed adequate assessment machinery. As we collect a mass of data and as we train a corps of expert administrators, the abatement may be lowered and more incomes included, but to do so in the beginning would clog the machinery. The same principle is applicable to the rate. A very high rate will cause much more evasion and often produce less revenue than a low one. Later, after the collection of data and the training of administrators, such evasion, even under higher rates, becomes less probable and possible. From this standpoint, the additional tax rates may be considered rather high to start with, but inasmuch as most incomes liable to this tax will arise from corporate or other sources which are difficult to conceal, this objection will be relatively unimportant.

For reasons such as these it is important to view the new income tax, not as an ideal or perfected system, but as the first step in the introduction of a vast and more or less complex system. As administrative machinery is developed and as it becomes desirable to reduce tariffs still further, it will become more feasible to lower the abatements, to extend and differentiate the applications, and to make the tax a more comprehensive, a more remunerative, and a more equitable revenue producer.

The exemption of interest from United States bonds is in accordance with uniform past policy and consequently tends to uphold and strengthen the present high credit of the national government. To many of the ill-informed who do not understand the capitalization of a tax, such exemption will seem a species of class favoritism; and to avoid this class feeling there is some justification for taxing such incomes. In the long run, it makes little difference to a government whether it taxes its bonds or not, provided it always follows the same practice. The modern tendency is toward taxing them rather than toward exemption as in the past.

The exemption of interest from the bonds of the states and minor subdivisions, and also of the compensation of officers and employees of these local governments was made for constitutional reasons, as well as for the sake of comity and political expediency. A line of court decisions from John Marshall down has set up the doctrine that no state has the right to tax the instrumentalities of the federal government, because the power to tax is the power to destroy, and, conversely, that the federal government has not the right to tax the instrumentalities of the state governments. It may require a new decision of the Supreme Court to determine

whether or not the sixteenth amendment set aside the application of this doctrine in part, though Professor Seligman has made out a very strong case for its continued applicability.² In this connection it is interesting to note that the institution of the tax apparently, and probably actually, caused an increase in the price of the exempt bonds in November during which month the first collections at the source began. Such a change is in harmony with the theory of capitalization. The justification of the discrimination in favor of the receivers of these various forms of exempted incomes must stand upon political and legal rather than upon economic grounds.

The exemption of the capital value of inheritances from the income tax is a recognition of their taxation by the states and as such tends to promote harmony in the separation of the sources of federal and state revenues.

Of the deductions allowed for expenses in the computing of net incomes, those for losses, depreciation, and worthless debts will doubtless cause much trouble and necessitate many rulings on the part of the Commissioner of Internal Revenue. Though the law says that personal, living, and family expenses shall not be allowable deductions, it leaves open the old and important matter of rental value of residence property. It should have stated definitely that such rental values were to be returned as taxable income; otherwise a renter of a home will be discriminated against and the owner-occupier favored. The owner-occupier of a Fifth Avenue mansion whose rental value is \$100,000 would pay no tax on such enjoyable value, while the renter of a similar mansion, or of a tenement, if he has income enough to bring him within the pale of taxation, would pay a tax on what he paid for rent. The ruling that will have to be made on this point may or may not decide it correctly. An improper ruling would probably cause less protest than a proper one.

The provision allowing an individual to deduct corporate dividends from returns for purposes of the normal tax does not prevent the tax from being a discrimination against that particular form of income in case the individual does not have other net income equal to the amount of the \$3,000 (or \$4,000) abatement. It is true that he does not have to pay the normal tax upon this corporate dividend again (it has been paid once by the corporation);

² *Political Science Quarterly*, vol. XXV (June, 1910), p. 193.

but the normal tax would not have been paid even once upon any other form of income if his total income had not exceeded the amount of the abatement. That is, corporate dividends are discriminated against. This may be considered a special corporation tax in addition to the regular income tax.

Somewhat related to this is the fact that, under the new law, holding company dividends will be taxed twice, first as the dividend of the subsidiary company, and second as the dividend of the holding company. According to a decision under the recent corporation excise tax law, mere holding companies were not taxable because they were not engaged in business.³ Under the present income tax law, their receiving or being entitled to income or undivided profits, is the test of whether or not they are taxable, and not their being engaged in business. In the words of the new statute: "the fact that any such corporation, joint-stock company, or association is a mere holding company, or that the gains and profits are permitted to accumulate beyond the reasonable needs of the business shall be prima facie evidence of fraudulent purpose to escape such tax." The Secretary of the Treasury is designated as the one to construe the term "reasonable."

The exemption of insurance "dividends" about which the insurance companies made such a stir while the bill was pending, was left in an ambiguous condition in the law. The ambiguity arises from the double meaning of the word "dividend." It might be said its origin is due to the intentionally misleading use made of the term by the companies in their attempts to write insurance. An insurance "dividend" is not the usual profit made upon ordinary corporate stock, but the return of an overcharge caused by too great a premium payment. In so far as expenses of insurance are reduced by the interest received upon premiums, and in so far as this return of overcharge represents such earnings, it may be considered a dividend in the usual sense of the word. But insurance "dividends" are usually taken from a fund in which have been mingled moneys from several sources: interest upon premiums or reserves, savings from loading, and savings from lower than the calculated mortality. Or it may be considered that all of this fund arises from overcharges.

The law expressly excludes "dividends" from the deductions permitted insurance companies, but says that rebates on premiums,

³ United States Supreme Court decision in the case of *McCoach v. Minehill and Schuylkill Haven R. R. Co.* (228 U. S. 295).

whether returned to the policy holder or retained by the company and treated as abatements of premiums, may be deducted from gross income in computing the taxable net income of the company. This latter permitted deduction is the result of a Senate amendment. It will probably result in a slightly different system of insurance accounting which will provide for the keeping of the different kinds of savings in separate funds instead of merging them in one. The interpretation of the term "insurance dividend" under the corporation tax law is now in the courts. Under that law, the ruling of the commissioner allowed no deductions for such dividends nor for rebates in lieu thereof.

Increase in property values is another matter that will doubtless give considerable difficulty. This kind of income can be handled more easily when it accrues to corporations or firms with proper accounting systems than when it goes to proprietors without such systems. Under the rulings for the administration of the corporation tax, profits on real estate and other physical assets, whether sold or not, were treated as income when such gains were taken cognizance of by the corporation's book entries. If it were possible to prescribe standard forms of accounting for all corporations as successfully as has been done by the Interstate Commerce Commission with reference to the railroads, very little difficulty might be encountered from this source, as far as corporations are concerned.

But in other cases, if such profits are to be treated as income, as they should be from an economic standpoint, the difficulties of administration will often be very great. In fact, only approximations will be possible in many cases, for it will necessitate not only the assessment of what are usually known as incomes, but also the periodical assessment of property values as well. It is doubtful if such a task will be undertaken, especially in the beginning.

The application of the tax to all non-resident citizens, to resident aliens, and to incomes from property, business and professions carried on in this country by persons residing elsewhere, is inconsistent and will result in some unjust double taxation besides considerable evasion which will be more or less justifiable and also in an unfortunate lack of international comity. In this matter, however, the United States is merely following the bad examples set by other countries. This is analogous to the lack of interstate comity within the United States, the difficulty in overcoming which has been one of the most serious drawbacks to domestic tax reform.

But, inasmuch as international relations are not so close or extensive as domestic ones, the difficulty will not be so serious in its effects as that caused by the lack of interstate comity.

It may be stated in this connection that the Commissioner of Internal Revenue has ruled that non-resident aliens who own bonds of American corporations may claim exemption from the tax upon the interest coupons of such bonds by filing certificates of ownership. However, foreign correspondents have already pointed out⁴ how this will aid foreign tax dodgers in so far as this class of income is reinvested here. If this can finally be returned to the foreign country as principal or capital rather than as interest or income, it may escape entirely; but if not so treated, and if it is intercepted upon its return, the payment of the tax will merely be delayed. Nevertheless, this ruling does open up a possible way of evasion to both American and foreign investors through a process of clearing or exchange of securities. It has been pointed out also that the swearing off of the American tax may mean the swearing on of a European tax which the coupon holder has been able to evade to date by maintaining secrecy as to his ownership. In such cases, owners will probably choose the lesser evil.

The adoption of the stoppage-at-the-source system of collection is in harmony with the best experience in income tax administration both here and elsewhere. This is more practicable in the United States than in countries where the corporate form of organization is less extensive. The tax will probably be least successful, as has been true elsewhere, in its application to business and professional incomes upon which it cannot be collected at the source. Self-assessment always puts a premium upon evasion which the great majority never resist.

Even as the new law stands it provides for too little collection at the source and too much self-assessing. Collection at the source and graduation of rate are not in harmony with each other; hence for the additional tax, self-assessment is more or less inevitable. But inasmuch as most incomes subject to the higher rates will probably come from corporate sources, it will be possible to check the correctness of such returns to a considerable extent. But it will be impossible for individuals to include in their returns, for purposes of the additional tax as they are supposed to do, their shares of undivided corporate profits unless the corporations

⁴ See London correspondence of the *New York Times Annalist*, Nov. 24, 1913, p. 665; and Paris correspondence, Dec. 1, 1913, p. 685.

furnish their stockholders with such information. This requirement will be still further complicated in case such profits arise from corporations that choose to make their returns for their fiscal years rather than for calendar years for which the individual is required to make his return.

But for the normal tax, also, many classes of incomes will be self-assessed. All parts of incomes derived from corporations or other sources, where the amount from each source falls below \$3,000, will be reached only by self-assessment, with the single exception of interest on corporate bonds. The same is true of the incomes in excess of \$3,000 that are not fixed, regular, and certain as to amount or time of accrual. Professional and business incomes will constitute a large portion of this class. Thus persons with large aggregate incomes arising in small or moderate amounts from several different sources, or with incomes which are irregular, or with incomes from business or professions which are under their own direction, will have much opportunity for evasion not only through failure to make complete returns, but also through improper claims for deductions. It will require very careful, industrious, and expert administration to see that such evasions are prevented from the beginning and not allowed to grow and destroy the efficiency of the entire system.

The high abatement will relieve most farmers from making returns, but if it were lowered to what it may be in the future, the assessment of their incomes under the present law would be very difficult and unsatisfactory because of the inadequacy of farming accounts. In such an event, it would be better to assess land upon its rental value, which is a sort of average income, as is the practice in England, than upon the income of each particular year. This objection holds for agricultural incomes which exceed the abatement of the present tax, though it is probable that the receivers of such large incomes have better systems of accounting than do most small farmers.

Up to the present time, perhaps no administrative feature of the new law has caused more inconvenience and consequent criticism than the requirement that interest coupons payable to bearer, when presented for collection, shall be accompanied by attached certificates of ownership with or without claim for exemption. Banks could have cashed these coupons at once as formerly with entire safety to themselves by withholding the normal tax, forwarding it to the collector of internal revenue, and paying the

difference to the presenter of the coupons. But this would have involved considerable clerical work and a later refunding of the tax in cases where the presenters fell within the limits of the abatement; hence, the banks did not see fit to cash the coupons upon presentment.

It is clear, however, that some such statement of ownership to accompany such coupons is necessary if the tax is to be effective and if the abatement is to be granted as contemplated by the law. Otherwise a receiver of \$100,000 interest in such form could have his coupons presented by forty of his friends in lots of \$2,500 each and evade the tax. The law might have prevented the inconvenience by providing for no abatement on such incomes or by providing that corporations should pay the tax upon them, but such provisions would have been discriminatory and probably would have caused as much protest as the present inconvenience. If the threatened effort to secure a change in the law should be successful, permitting personal returns of taxes upon such incomes to be substituted for collection at the source, it would turn the law into a farce. If, on the other hand, the present system is continued, it is probable that there will be some changes in business methods to reduce inconveniences. Either interest coupons payable to bearer will be replaced by registered coupons to some extent, or more convenient methods of collecting and accounting will be adopted. Friction and inconvenience should be reduced to a minimum as business and people generally become more familiar with the requirements of the law and as the rulings of the Commissioner of Internal Revenue assist in its adjustment to business requirements.⁵

In England, the income tax is used to adjust the revenues to the needs of the government. For this purpose the rate can be changed from year to year. This cannot be done with tariff rates without seriously disturbing business. A country which depends mostly on customs for revenues alternates between periods of deficits and periods of surpluses, both of which bring serious evils. The United States will not be in a position to make advantageous use of this balancing feature until it adopts proper budgetary control of receipts and expenditures.

An additional feature to commend an income tax is its value in case of emergencies. When a nation engages in a great foreign

⁵ Since this paragraph was first written, several rulings on this point have been issued by the commissioner.

war, its customs receipts usually fall very low just at the time when it most needs increased revenue. Then internal taxes are resorted to. The United States bankrupted itself in the War of 1812 and suffered all the calamities of the greenbacks in the Civil War for lack of an established internal revenue system. On such extraordinary occasions few taxes could be used to better advantage than an income tax. But the emergency value of this tax lends no support to the frequent protest that it should be retained for emergencies only, or even chiefly. If it is more equitable than a tariff or other taxes, that very equitableness is the strongest argument for its being the source of the ordinary annual revenues. Justice as a rule and injustice occasionally is better than the reverse.

The removal of the chief appointments from the civil service gives the Commissioner of Internal Revenue a freer hand and a better opportunity to secure an efficient, sympathetic, and responsive staff of administrators, if he is equal to the task and is not hindered by the demands of congressional patronage. At the same time, it opens wide the door to possible abuse. The law's limitation of compensation to be paid indicates that Congress has not a real appreciation of the administrative requirements of such a tax. Even with a large corps of the best men available, it would be a very great undertaking to establish the new tax throughout the United States so as to reach a maximum of efficiency.

It is unfortunate that we have no local officials corresponding to the land tax commissioners of England with whom the collectors of the federal tax can coöperate, as is done there so successfully. However, it is possible that some such coöperation can be devised by a resourceful administration. At least, such assistance might be secured by coöperation with local assessors and others in points of vantage, although this would be only one step in the right direction. It is also unfortunate that we do not have a body of trained collectors similar to the inspectors and surveyors of England, but such a corps could be secured in the course of time if we had the same traditions relative to expert service, tenure of office, and promotions. It is to be hoped that we may develop this in time, also.

In the state of Wisconsin, which has a state income tax with a much lower abatement than the national tax and which has also an excellent administrative system, the work of the federal income

tax collectors should be immeasurably more efficient than elsewhere. If Wisconsin's income tax proves to be as successful permanently as it seems to have been so far, doubtless other states will adopt similar systems and the efficiency of the federal tax be thus extended.

In conclusion it may be said that the fundamental principles of the new law are sound and that its details, so far as worked out, are sufficiently correct to insure its success if it is properly administered. Popular opinion is closely enough in harmony with it to overlook much unfriendly criticism and to help assure its success. Though it seems probable that it will not be administered nearly so efficiently as it might be, still it can hardly fail to be very effective as applying to incomes reached at the source. As time goes on it will doubtless be differentiated and extended and will become a great fiscal engine. As in the case of most taxes, efficient administration is the great desideratum. Because of the extraordinarily great powers that have been given the Commissioner of Internal Revenue and the Secretary of the Treasury, it may fairly be said that the responsibility for the success or failure of the new tax is upon their heads.

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FARM CREDIT CONDITIONS IN A COTTON STATE

Texas is a cotton state, having a relatively sparse population, a high percentage of tenant farmers (53 per cent), and a negro element which averages over 25 per cent in the majority of the cotton counties. Moreover, Texas is industrially a new and undeveloped state. The presence of much risk is attended by a large measure of speculative spirit. Everywhere there is talk of rising land values, which causes speculative land holding and retards economical farming. The element of risk, too, is increased by the frequency of crop failures on account of drought and frost. Other elements in the general situation are a homestead exemption law which, by making two hundred acres execution proof, often prevents the use of land as security for loans; and a law requiring the taxation of mortgages which operates to increase the borrower's interest rates.

While many ventures fail, those that succeed pay well; and the state is growing at so rapid a rate that much capital has to be attracted from other sections by high interest. As a result, the interest rate on commercial loans averages a little over 8 per cent, running from an infrequent minimum of 6 per cent up to 12 per cent in some sections. Now, farmers as a rule pay higher interest than the commercial classes, for the latter generally have a standing that is more readily known, maintain larger and more regular balances, possess more liquid assets, and settle more promptly. What, then, are the facts concerning farm credit conditions in Texas?

Bank Credit

On the basis of the material available to the writer,¹ it appears that only about 4 per cent of Texas farm owners do not borrow from banks, or, in other words, about 95 per cent do. Nor do these loans come at irregular intervals. The great majority borrow year after year—are perennials, so to speak. The most

¹ This investigation is based upon reports made by farmers, bankers, and merchants, nearly all in central and eastern Texas. Over one hundred loans were reported to the writer by farmers from 35 counties; twenty bankers wrote from 15 counties; and a half a dozen merchants from as many counties gave information. This mass of data was then checked against the impressions of several well-informed bankers and farmers living in Austin. Internal evidence to the correctness of the data is borne by the fact that the reports of farmers and bankers for the same counties are in substantial agreement. It is important to note that the data are selected to some extent in favor of con-

common answer to the question, What per cent of your borrowers ask for accommodation year after year, was 75 per cent; the next most common reply was 90 per cent, or "nearly all"; only one went below 50 per cent.² The data show a rather close correspondence between percentage of "perennials" and loans to tenants, for tenant farmers are nearly all repeaters.

The one great purpose of most farm loans in Texas is to help "make the crop." The usual items involved in making a crop are labor (chopping and picking cotton), feed, seed, groceries, and perhaps mules. Nearly all short-time loans are for this purpose, and about 85 per cent of the longer ones. Other purposes for which Texas farmers borrow from banks for short periods are: commercial and trading transactions, holding cotton, accommodations to tenants, and extensions of preceding loans for the purpose of tiding over the farmer after a bad year or till a late crop is gathered. About 15 per cent of long loans are for investment and improvements, involving such items as land purchase, stock, buildings, and machinery.

By comparing a group of the loans over \$1,000 with a group of \$50 loans, it appears that the majority of the former are for "improvements," with purchase of machinery or land next in order; while most of the latter are for making crop, with labor, feed, and seed as the main items. The latter are also applied not infrequently to the purchase of mules, plows, and to making improvements. One eighth of the small loans were clearly for the purpose of consumption.

Taking into consideration all loans upon which this study is based, the average sum borrowed by Texas farmers from banks is a

servative results, for they are largely drawn from the more progressive and intelligent farmers. Moreover, it is more than probable that in many cases the interest rate was reported as what it would have been had interest not been deducted from the principal in advance. All but 5 of the counties covered have a high percentage of tenancy; all raise some cotton, though 5 produce relatively little; two thirds have over 12 per cent of negroes, and a majority have 25 per cent or more. Travis, McLennan, Harrison, Navarro, Milam, Williamson, Lavaca, and Nueces counties are among those for which most satisfactory data were obtained. The approximate date is to be taken as 1912.

² On this point considerable variation exists among different counties, depending on the degree of industrial development. Thus, partly developed sections will show 95 per cent of "perennials," while a well-developed German and Bohemian section, like that around Moulton in Lavaca county, will show only 5 per cent.

little over \$500. If those loans of unusual size which are made for such purposes as purchasing land and making permanent improvements³ are deducted, the average loan is about \$300. This conclusion is borne out by the estimate of the bankers, who report that loans to farmers usually run from \$100 to \$300 and rarely exceed \$500.

The questionnaire sent to farmers called for the amounts of the largest loan and the smallest loan secured from a bank. The returns show that the average Texas farmer's largest loan is approximately \$1,000, and his smallest loan is about \$100. Of course, these amounts varied greatly, the largest loans running from \$70 to \$6,000, and the smallest from \$5 to \$2,000. Examination of the frequency distribution of the size of the loans shows the most common loan to be \$50, and that 45 per cent of the loans do not exceed \$100.

The returns from farmers show that the average time for all loans is seven months (the large loans averaging nine months, the smaller ones four months). The bankers in their answers show an average duration for all loans of six months, which is also clearly the mode for their data. If we separate the long-time loans (over six months) from the short-time loans, we find that the average period for long-time loans is nine months, while three months is both average and mode for short-time loans. Probably less than 5 per cent of loans to farmers are for over nine months.⁴

The great majority of the secured bank loans to farmers are made on chattel mortgage security. Perhaps such security is required in about 90 per cent of those cases in which security is demanded at all. Personal endorsement is next most common, being the only security given in about 10 per cent of the cases. A chief item in the chattel mortgage security is mules.

Not a few loans are made without security, generally, of course, to substantial land-owning farmers. The writer asked the bankers what proportion of their short-time loans are secured. The answers run all the way from 15 per cent up to 100 per cent. From 75 per cent to 90 per cent seems most common. The state banks show a smaller percentage secured than the nationals.

Real estate security is a knotty point for bankers in farming communities. State banks in Texas are allowed to take a certain

³ These loans average over \$2,000 and run from \$450 to \$6,000.

⁴ Farmers generally borrow in the spring (February-April) to pay from the autumn crop.

amount of real estate as security for loans and do so; but, as every one knows, national banks are prohibited by law from doing this. As a matter of fact, national banks do take some land as security, and over one half of all banks reporting held farmers' personal notes secured by real estate. Such loans appear to make from 1 per cent to 10 per cent of the total. Sometimes, if a borrower has real estate notes they are put up in national banks, and although they are not pledged for security, it is understood that they are in the bank for that purpose. If a national bank has good customers who have real estate paper, it will frequently take their notes for collection on the understanding that when collected these notes will be applied on the payment of their obligations to the bank. Occasionally, too, national banks take a real estate loan as collateral security when the maker of the land note has other property subject to execution and the land does not have to be depended upon for the liquidation of the debt. It seems that national bank examiners are familiar with this fact and that the practice has been tacitly sanctioned, perhaps to check lending without any security at all.

Such being the conditions surrounding farm credits, what is the interest rate? Here we find some discrepancy between the reports of the bankers and those given by the farmers. The bankers' returns, when averaged, give a rate of 10.07 per cent. The most common rate shown is 10 per cent. Their reports can be analyzed so as to distinguish long and short loans, and, when this is done, the long-time rate is found to average 9.3 per cent, while the short-time rate stands at about 10.8 per cent.⁵ In several counties the rate is clearly 8 per cent; but in others it is 12 or 15 per cent. About one third of the bankers indicated a maximum of over 10 per cent—the legal rate!

On the other hand, the farmers' statements give an average interest rate on all loans of 12 per cent. Interest paid on large loans average 10.7 per cent; on small loans, 13 per cent. Examination of all loans of \$50 or under shows an average interest rate actually paid by farmers of 15.6 per cent. The most common rate, however, is 11.1 per cent, arrived at by paying a nominal rate of 10 per cent, which, being deducted from the principal in advance,

⁵ The Bureau of Statistics of the Department of Agriculture recently collected data from country banks on loans running from three to six months, and found the rate to be 10.03 per cent for Texas in 1912.

makes the actual payment on the cash received equal 10 per cent plus 1.1 per cent.

What has been written thus far, concerns the average run of ordinarily prosperous white farmers, mostly owners. In a state, however, in which 53 per cent of farmers are tenants, more weight must be given to the less prosperous tenant farmer.

To what extent do banks handle tenant loans? In the cotton counties, with but few exceptions, from 25 per cent to 75 per cent of the number of loans made to farmers by Texas banks are made to tenant farmers. The great majority report 50 per cent or more of loans to tenants. The more common percentages appear to be 50 per cent and 75 per cent. The percentage, of course, refers to *number* of loans, and the amount of loans to tenants would be a much smaller percentage—perhaps 5 per cent. Also, it is to be remembered that the data are mostly from small banks in small towns. The proportion of tenants who borrow from banks varies with the character of the tenants, being greatest in counties in which prosperous foreigners are numerous.

(1) The tenant farmer usually borrows simply to provide teams, implements, and supplies for making a crop—supplies for teams and family making the largest item. (2) The average tenant farmer hardly finds it necessary to borrow at any one time more than \$500. In fact, his various separate loans are generally less than \$100,—\$50 and \$75 being very common; and his aggregate borrowing during a year will run from \$200 to \$600. (3) Tenant farmers' loans are usually made in the winter or spring to be repaid the following fall or winter, and so average from seven to nine months. (4) As security, tenant farmers generally give a chattel mortgage on teams, stock, implements, and crops. Not infrequently they offer the personal security of the landlord or of some friend acceptable to the lender. (5) The statistics already cited concerning interest rates on small loans apply to tenant loans. In progressive cotton counties, tenant farmers with good standing and acceptable collateral can borrow from the banks at from 8 to 10 per cent. Otherwise, and in dealing with outside parties, they may pay from 10 to 30 per cent.

Store Credit and the Tenant Farmer

A majority of the tenant farmers find in the country merchant their chief source of credit; and store credit and crop mortgage arrangements form a dark place in the Texas farm credit system.

Virtually all negro tenants, and 75 per cent to 90 per cent of the white tenants, foreigners and the best black-land tenants excepted, regularly depend upon advances of credit from the local storekeeper for food, clothes, and various supplies, and give mortgages on their crops as security. Probably less than 10 per cent of farm owners are accommodated in this way, and the percentage of white tenants seems to be on the decrease in most sections. The *nominal* interest rate is always 10 per cent.

The system usually works as follows: At the end of the year those who have secured advances on a crop mortgage have little or nothing left. One of them will go to his merchant about February 1, and ask for credit until he can make a crop in the fall. The merchant will agree to extend a certain amount of credit in return for a mortgage on the prospective crops of the tenant and any other property which he may own—which is often nothing. Often the acreage in cotton is considered, and whites may be allowed about \$5 an acre and negroes from \$3.50 to \$4.00. Generally, however, the amount is not formally figured in this way, but a maximum allowance per month is set, being about \$30 for whites, and somewhat less for negroes. The amount varies with the community, and may run up to from \$60 to \$75 a month in a German community. As low a limit as \$15 may be set. It depends on the character of the tenant and the number of his teams. The aggregate amount for the season, then, is the product of the monthly allowance and the number of months, say nine months. The character of the security is indicated by a crop mortgage form which accompanies the farmer's note.⁶

"THE ABOVE OBLIGATION [the note] is given in settlement for goods, wares and merchandise furnished to.....by said.....for the purpose of enabling..... to make a crop for the year 19...., and without which advances it would not be possible for.....to make a crop; and it is hereby agreed, in consideration of the premises, that the above amount, together with any further advances hereafter made to.....upon conditions herein named, are intended and shall operate in law as a perfect and bona fide LIEN upon all such crops, either CORN or COTTONas may be grown upon.....farm.....in.....COUNTY, TEXAS, the present year.

And upon default on.....part to pay the above described obligation when due, out of the first of the proceeds of said crops, it is agreed and understood that the said.....may enter upon the said premises and take possession of the said crops, or such portions of the same as may be sufficient in amount to discharge and pay off this obligation and such necessary expenses as may be incurred in collecting the same. This is the only encumbrance upon the above described crops.

WITNESS:.....

This crop mortgage system is satisfactory to no one but the dishonest storekeeper—not all storekeepers are dishonest.⁷ The interest is nearly always deducted in advance, and it is almost universally complained that the borrower is overcharged for his goods. If the farmer borrows \$300 he gets only \$270 in cash, and is given the worst bacon and flour at the price of the best. Once the mortgage is given, the tenant becomes the storekeeper's man; for he must depend on credit, and all his credit is pledged. He, or his trade at least, is regarded as the possession of the merchant who holds the mortgage on his crop. Then, at the end of the season, he is not infrequently virtually compelled to sell his cotton to the storekeeper, and as a result often fails to get its full value.⁸ The same is true of the farmer's other market produce, such as chickens and eggs. The total actual interest paid under such circumstances averages at least 20 per cent. On the other hand, the tenant is often a shiftless and unreliable person and the percentage of bad debts is high. Not unfrequently the merchant has to carry the farmer over for another year on account of crop failure. In this way a big sum of debt accumulates, and, in order to cut a long debt short, the tenant "pulls up" and leaves the country. All this is true, to say nothing of the social harm done by the continuous planting of a single crop (cotton) which the system demands.

Here some one asks, why do farmers ever go to storekeepers? Why do they not get cash from the banks, and buy on a cash basis?

The reasons are numerous and cogent. (1) The banks do not like long loans and often refuse to make them; the tenant wants credit for nine months. (2) From August to January it is generally hard to get money at the banks; the tenant wants some one to run him through the whole year. This the storekeeper will do. (3) The banks do not want to make small loans; the tenant wants no other. (4) Too much security is required by the

⁷ See *Studies in Agricultural Economics*, Bulletin of the University of Texas, No. 298, pp. 5-10.

⁸ This statement applies as a general rule to the more ignorant classes only. In some cases the storekeeper actually offers a slight advance over the market price for the cotton as a premium to induce the farmer to sell to him, his reason being that by securing the farmer's cotton business he can secure payment of the mortgage obligations out of the price of the cotton. Of course, any such premium must be an expense of the business and ultimately be borne by the farmers.

banks; the tenant often has nothing to pledge that is not bought on time. (5) Banks generally will not take crop mortgage security. (6) This kind of credit business requires close local supervision, even to the extent of directing the tenant's farming operations in not a few cases, and such intimate knowledge and care the banks cannot give.

In a very real way, however, the *country merchants act as the banker's agents in making crop mortgage loans*, the business being farmed out to them, as it were. From 5 per cent to 20 per cent of the loans of many Texas banks are made to country merchants, such loans being "largely" or "almost entirely" used to carry farmers on crop mortgage security. The interest paid is usually 8 per cent. As security, the merchants endorse and turn over to the banks the farmers' notes and crop mortgages. They do not, however, receive dollar for dollar on such security. In this way, indirectly, the banks carry a larger part of tenant farmers than would at first appear to be the case.

About two thirds of the sales made by hardware and implement dealers to Texas cotton farmers are on time to be paid out of the cotton crop in the fall. The credit price is higher than the cash price by an amount which varies with the interest rate but which may safely be put at 10 per cent. In the case of unreliable farmers and tenants, a mortgage is taken on the article sold and the purchaser gives his note.

The Landlord as a Source of Credit

It is probable that in most parts of central Texas over 90 per cent of those tenants who owe the store are also indebted to their landlord for larger or smaller advances. Storekeepers, as such, only give credit on food, supplies, implements, etc., whereas cash or its equivalent is often needed for mules, feed, and other current expenses. The landlord is practically always involved in supplying this cash. He may make small cash advances in a bad season; and he often sells his tenants teams and feed to be paid for out of the crop. But for larger cash advances the practice is not uniform. In the bottoms of the Brazos and Colorado, and in a few places in the "black-land belt," there are large "plantations" whose owners prefer as a rule to "accommodate" their own tenants rather than to "stand for" them with the bank or other lenders. This gives them greater control over their tenants, and unscrupulous landlords may make larger profits by charging high rates. To

carry their tenants they may borrow several thousand dollars from the bank each year. Such landlords often make a business of running a sort of commissary.

On the other hand, the owners of medium and small farms in the black-land belt and sandy regions to the east do not lend any considerable amount of cash to their tenants, though they sometimes help them to borrow elsewhere. On the whole, they would rather the tenant would get his money in his own way.

Evils and Needs of the Farm Credit Situation

Already the reader will have reflected that grave evils exist in the farm credit situation in Texas. First, as to bank credit, remembering that landowners are chiefly though not entirely concerned. Perhaps the most obvious objection is that the interest paid is excessive. One cannot but wonder if it would not be difficult to make money on funds for which 11 per cent is paid; and one feels certain that ruin awaits the farmer who tries to do business on 15 per cent money. That Texas renters are not very prosperous is evident from the organized discontent which has of late found expression among them.⁹ The methods used to defeat the 10 per cent interest rate are numerous and efficacious. Almost universally the interest is deducted in advance; even among bankers, only 4 out of 22 deny this. Then, the loans are often made for short periods—one to three months—when renewed interest is again deducted, thus virtually being compounded. It is common for the farmer to pay all expenses for making, filing, and recording papers involved in loans. Again, in addition to a high interest rate, a discount may be charged on the farmer's note, which if it is 2 per cent, may bring the rate paid up to 12 per cent. It is also common on small loans to demand a lump sum in payment, which, though not expressed as a percentage, may perhaps amount to 50 per cent. Thus, suppose a farmer borrows \$25 to buy feed, the loan running three months, and that he pays \$2; the interest rate is 32 per cent. Or if he pays \$5 for a loan of \$50, which runs six months, his money has cost him 20 per cent. Sometimes a cash bonus is demanded in addition to the regular interest rate. Finally, it is by no means infrequent to ask 10 per cent on a loan which runs for less than a year, 1 per cent a month being common. The law says 10 per cent *per annum*. To demand

⁹ Scores of local "renters' unions" exist, and, under socialistic influences, have united in a state organization.

10 per cent on \$300 for nine months is to take \$30 where only \$22.50 can legally be required. Other devices of which I am ignorant may also be used.

The situation is summed up by the representative of a McLennan county national bank as follows:

The majority of the small banks have no regular rate of interest and they usually add 10 per cent to the face of all notes running from eight months to a year, so that they collect a years' interest on notes running eight and nine months. Twelve per cent is usually charged on notes running a year. A great many notes, where they are purchased outright, are discounted at even a greater rate than that. However, it has always been my policy to charge the farmer 10 per cent on money for actual time the note had to run, as I have some scruples about charging a greater rate than the law provides.

Two equally common complaints, which we may consider next, are too short a loan period and too much security requirement. On the first point the interests of the farmer and those of the commercial bank are plainly in conflict. The farmer sometimes needs loans for improvements which cannot pay for themselves inside of several years. More than this, for ordinary working expenses he often needs advances, and when he does he needs them for the length of the crop season. Cotton requires a long growing season and the marketing comes late in the fall, the result being that the Texas farmer generally needs credit for nine months. But bankers, in their desire to keep assets liquid, often refuse loans of over three months and rarely make them for over six months. To be sure, the sixty- and ninety-day accommodations may be renewed, but that is not absolutely certain; it means some trouble, and affords an opportunity for exacting a greater interest payment. One result of short loans is that the cotton may be forced upon the market at a disadvantageous time; for the farmer cannot hold it without support. Even six- and seven-month loans are not always satisfactory, for they are made to mature October 1, while often the cotton cannot be got out by that time, and in any case it may take all the first cotton money to pay pickers, etc. The result is that the farmer is forced to seek an extension in the height of the crop-moving stringency.

One of the chief difficulties of the tenant and the small farmer lies in the security demanded by banks. This does not necessarily imply criticism of the banks, but simply an inherent impediment in the activities of commercial banks as directed to the needs of farm credit. One farm owner states that banks want security to

the value of from two to three times the amount of the loan. Another reports having given \$15,000 worth of land as security for a \$5,000 loan. Another gave \$100 personal security for a loan of \$20; still another pledged two bales of cotton for \$50. The merchant will lend only \$10 on two cows, for that would be the value of their hides if they should die; and so on. Of course, the tenant is apt to have no security but his growing crop, and some landlords complain that they have to give unreasonable security for loans to tenants, up to three and four times the value of the loans, for they must vouch for their insurance, etc.

On the score of ability to obtain loans at banks, farm owners and prosperous tenants make little complaint. Only 15 per cent of those questioned said that they could not always secure cash when wanted, and all of these indicated by the high interest paid that their standing was not the best. Of course, from August to January money is tighter; and, as the banks like to care for their more regular commercial customers first, the farmers may experience difficulty in getting loans during those months.

The credit conditions found among the great mass of tenants who receive advances from country merchants on chattel mortgage security are worse than the preceding. As already stated, the interest paid will average at least 20 per cent and at that rate progress and ownership are all but impossible. Bad years submerge such tenants. Borrowers on crop mortgage in Texas generally receive but 50 per cent of the estimated value of the crop, so that their borrowing power even at high rates is very limited. Under such circumstances the tenant is forced into a condition of so great dependence upon the person who "carries" or "runs" him that he loses initiative and hopefulness. The merchant, in order to secure himself, generally specifies that cotton shall be the main crop with perhaps a little corn for feed; and in this way strongly reinforces the tenant's inertia in the matter of diversification. The crop mortgage system, while largely an outgrowth of the tenant-cotton régime, now keeps that régime fastened upon the South; and the existing credit system is closely bound up with the single crop practice and soil exhaustion. In other ways, too, the credit system makes for poor farming. For one thing, the motive for good farming is taken away when everything the farmer owns or hopes to own is going to pay debts and capital-eating interest rates. Again, the tenant and small owner often have no means to get adequate land and capital to

utilize their labor properly. There is tremendous waste all through the South due to a failure to utilize labor power to its fullest extent. A man and family require a certain minimum number of acres, mules, and dollars' worth of machinery in order to make the maximum net return, and the average Texas farmer badly needs more farm animals and machinery.

While more live-stock on the farm is a great need, the one-crop system is opposed to animal husbandry. This is partly due to the lack of time to devote to feed crops, and partly to the specialization by merchants and bankers of the credit system for the cotton industry. While cotton allows annual settlements, the live-stock business requires accommodations of at least two years.

Can Existing Agencies Supply a Remedy?

Among the existing credit agencies available to farmers the country bank holds out most hope of improvement. For obvious reasons it is not practicable to prohibit disadvantageous credit operations by storekeepers and landlords. Here education and public opinion alone can avail. But the banking fraternity is apt to insist that nothing is needed but what it is supplying or is about to supply. What ground is there for this optimism?

It is to be noted, in the first place, that most Texas banks desire the farmer's credit business; and not a few make an effort to get it by such means as making mailing lists of farmers in their respective counties and sending them advertising matter. This, of course, concerns only farmers of good standing, and is not designed to reach poor tenants. While normal loans as low as \$25 are made by some banks, they are not profitable nor desired. On the other hand, there is no doubt that in many instances farmers either are loath to visit the bankers for small amounts or find it inconvenient to make the trip to town when the loan is needed. That the banks are not meeting the situation is proved by the large amount of lending by individuals and storekeepers on real estate and chattel mortgage security.

Perhaps the most notable achievement in the way of improving farm credit is the scheme for holding cotton devised by a committee of the Texas Bankers' Association and approved by the Farmers' Union. Briefly, the plan is as follows. The owner of cotton can place it in a warehouse and upon this security obtain \$35 per bale as a cash advance from the bank. He gives the bank his note, promising to pay in six months at 6 per cent, with 10 per cent after

maturity and 10 per cent for attorney's fees in case of judicial action. In the note it is recited that the maker has deposited the cotton as security and that if the price of cotton falls below 8 cents per pound (middling basis) additional security satisfactory to the bank must be given, or the bank can take possession of and sell the cotton and apply the proceeds to the payment of the note, including insurance and warehouse charges. As there are 500 pounds in a bale of cotton, the 8 cents gives \$40, or a \$5 margin above the amount advanced.

This note is to be accompanied by a uniform public warehouse receipt stating that a certain number of bales of cotton of a certain weight and class have been deposited by the borrower and will be kept under shelter and insured until the note is paid. The warehouseman also certifies that the borrower is the owner of the cotton and that it is free from any lien or encumbrance. Also, the plan involves a bond to be signed by a number of the borrowers' neighbors who bind themselves to hold the bank "harmless against any loss it may suffer by reason of such loans or the failure to collect any note." By such means it has been hoped to make the paper based on cotton acceptable in the eastern money markets.

As yet, however, farmers have made but little use of this source of credit. One objection is that it requires leaving the cotton in the warehouse for too long a period of time, thus failing to allow the farmer to sell at any high price within six months after making his crop. Obviously, this plan might be of considerable service in case rather low prices were prevailing for cotton and it were feared that throwing more on the market would break the price further. But it hardly touches the tenant-storekeeper problem, nor the need of farmers for working capital; and it has no bearing on the need for long-time loans for investment and improvements.

Again, Texas bankers express willingness to help farmers who will join forces for the purpose of helping each other in borrowing. If the farmers will give them good paper signed by eight or ten of their number, they will make loans for productive purposes, such as improving herds, constructing silos, etc., at 6 or 7 per cent, the loans to run six months, with the privilege of renewal upon making a reasonable payment of, say, one fourth. This might enable substantial farmers to make permanent improvements, but is subject to the renewal contingency and is pretty exacting in the security requirements.

The only way that existing commercial banks can handle long-time loans is through the extension of short loans, and it is not uncommon for Texas farmers who maintain good balances to be carried from year to year when making loans for investment purposes. Only the more substantial farmers, however, can count on this.

In practice, landowners often can obtain accommodations without any security if their business and balance warrant such favors in the judgment of the bankers. The fact that national banks in practice are able to take real estate security to a small extent has also been noted. This, of course, affords only slight relief to the difficulty experienced by farmers in borrowing on land. The state banks can lend on land, subject to certain restrictions on the amount, and do so without impairing their solvency. I agree with Professor Kemmerer in advocating some relaxation of our present national banking act in the matter of loans on real estate.¹⁰

Finally, it seems quite feasible to better conditions by improving the rediscount market for farm paper. One way would be to introduce by appropriate legislation some means of marketing farm notes which have been "accepted" by local banks.¹¹ This would involve the authorization, by law, of banks to give "acceptances," and the establishment of some central organization to handle the paper (bills of exchange) sent up by small banks. By some such means, the loaning power of the banks of the nation—the discount market—might be pooled. If the local bank were "loaned up," it would "accept" the farmer's bill and send it in to the central association to be disposed of to members who might have loanable funds available. Or, if authorized and the central machinery provided, the existing banking system could take farmers' notes and get them discounted by correspondents. Such a plan might be of much service; but it would have to be carefully safeguarded against inflation of credits, and in any case the loans would have to be of such short duration—probably three months, and certainly not over six—that the farmers' needs could not be entirely satisfied; and, as in the other schemes, only substantial persons who now have least difficulty would be benefited.

¹⁰ See *AMERICAN ECONOMIC REVIEW*, vol. II, no. 4 (December, 1912), p. 870. The recently passed currency bill increases the power of national banks to make loans on land.

¹¹ See *Proceedings of the First National Conference on Marketing and Farm Credits*, p. 168. The new currency act provides for the rediscount of agricultural paper running 6 months.

Can Coöperation Supply the Remedy?

As to land-mortgage coöperation, we need simply note that not only is it less urgently needed than another kind, but the homestead exemption law makes it almost impossible.

When we come to examine the chances for successful personal credit associations, the difficulties raised by the character of the farm population are formidable; for more dependence must be placed upon the capacity and judgment of members while at the same time less intelligent classes must be dealt with.

It seems that the negro population must be left out of consideration for the present. In most parts of the state the negro would be excluded from organizations of whites, and it is more than doubtful if negro credit associations could succeed. Also, a part of the poor white farmers are beyond the reach of coöperation on account of their migratory habits and thriftlessness. It is the writer's well-considered opinion that fully 10 per cent of the white tenant farmers of Texas are hopeless—cannot get good credit by any means.

Some of the adverse conditions affecting the majority of the whites are as follows: (1) There is a large element classed as "poor whites," a shifting and shiftless group; 5 per cent of the native white males in the rural population are illiterate, and 31 per cent of the foreign-born white males; while only 44 per cent of the native white rural children are attending school. (2) These people are largely short-time tenants. (3) The one-year lease is almost universal, and under it tenants commonly are migratory and take no interest in scientific farming. So shifting a population is seriously handicapped in developing that mutual acquaintance and trust which may come in more stable groups. (4) It follows that farmers are deficient in disposition and training for team work and do not easily pull together as coöperation requires. (5) Finally, a speculative spirit pervades even farming operations and is opposed to the spirit of frugal saving which must attend the successful operation of credit unions.

Many native Texans are not efficient farmers, a fact which is clearly demonstrated by comparison with German and Bohemian farmers who occupy certain sections of the state. The foreigners get a far larger return per acre, while at the same time maintaining the fertility of their land. As a result, they find no difficulty in getting credit when they need it, though, as a matter of fact, they borrow far less frequently than the native farmers. There

can be no question that the introduction of better farming methods is much needed as a basis for better farm credit.

The strongest argument in favor of personal credit coöperation, however, is probably the educative value of coöperation itself. Efforts in coöperation increase the facility of coöperating. Therefore, assuming the efficacy of successful coöperative credit, we may conclude that the very urgency of the need may warrant the initiation of coöperative organization in spite of great initial difficulties. If the need is great and the difficulties decrease in proportion to the application of the measure, the argument for that measure is strong.¹²

The object of successful credit organization must be to improve such non-transferable productive powers as poor men can possess—strength, skill, energy, and honesty—and to organize and direct them so that they may be used as a basis of credit; and to this basis it may add by making more readily negotiable the small property possessed which is not now accepted as security on favorable terms. Of course, there must be a modicum of the qualities just mentioned to start with.

Stated comprehensively, what coöperation can accomplish in states like Texas is as follows: First, it can reduce the risks of lending in at least six ways. (1) The integrity of the coöperative group can be raised above the average of the class concerned by a selective process. To this end, the area embraced in a single group should be limited, and good standing among neighbors and acquaintances be made a condition of membership. (2) The interests of the immediate borrowers and lenders are harmonized. This is accomplished through the fact that the capital of the coöperative unit is largely drawn from the entrance fees and deposits of farmer members. (3) The credit of individual members is pooled, thereby increasing the borrowing power of each. The pooling is the result of a collective guarantee of loans made to any member, and its effectiveness increases with the extent to which the collective guarantee increases, being at a maximum under unlimited liability. (4) The security of loans can be increased by careful and intelligent scrutiny of the purposes of the borrower in order to insure against loans for unproductive purposes. And, of course, this feature can be strengthened by inspection to see that sums borrowed are applied for the purpose specified. (5) By means of

¹² In this, coöperation has an advantage over the extension of ordinary banking activities, for it has its undoubted educative effects to support it.

local supervision the most productive methods of applying loans can be secured and more skillful farming be encouraged. (6) Finally, the security that farmers have to give can be made more liquid and negotiable. To be concrete, land and cotton are not welcomed by our commercial banks as bases of credit; but by coöperating and pooling such resources and making them the basis of issues of equal, transferable securities of convenient denomination, a ready loan market may be created. Clearly, points 1, 2, and 3 insure improvements in *integrity*, or will to pay; and points 3, 4, 5, and 6 insure greater *solvency*, or ability to pay. These are the very bases of credit.

In addition to the preceding means of reducing risk, it is to be remembered that economy in direction and management of the credit business can be gained by coöperation. By confining operations rigidly to securing credit, and working through small local units, the simplest and cheapest organization is secured. A single central organization can serve as a clearing house for a large area.

The Most Desirable Form of Coöperation

Attention will here be confined to personal credit unions; for relatively short-time loans, largely based on personal security, are the most pressing need in Texas. The great majority of loans are wanted for making crops, and land security is not often available. As preliminary generalizations, I would emphasize three points:

(1) So large an element of shiftless tenants means difficulty in local organization. The weaker the units and the greater the difficulty of successful local operation, the more essential the central machinery and the sooner it should be established in any coöperative experiment. In Texas it should exist from the start, if any extended use is to be made of coöperation, and this probably means that it would have to be set up by the state.

(2) On the principle that it is economical where possible to utilize existing institutions, the use of the chattel mortgage—including the crop mortgage—might well be retained. It may be thought of as a form of security midway between the land mortgage and personal endorsement, and, in the present condition of credit in Texas, might well be retained to supplement personal credit. Also, the state banking system is well developed and working satisfactorily, and it would seem uneconomic not to utilize it to its full capacity in supplying farm loans.

(3) Nor must the technical facts of the agricultural situation be forgotten. Thus, the need of cotton farmers is not to be satisfactorily met by loans for less than nine months in many cases, and accommodation for a maximum period of that length should be authorized. As has been observed, cattle are greatly needed as a part of farming operations in Texas, and this requires credit accommodations of two years' duration. As shown, the average farmer borrows in the neighborhood of \$300, and it would, therefore, seem desirable to authorize a maximum loan to any individual of not less than that amount.

Let us now examine the form of organization provided by the law recently enacted in Texas. It is modeled on the Massachusetts law. A minimum of ten citizens may become a corporation and have a capital stock divided into twenty-five-dollar shares. A member may hold any amount of stock, but each member has only one vote. Loans not to exceed \$200 to any one member may be made for a maximum period of eight months, at reasonable rates of interest not to exceed 6 per cent. A board of directors, a credit committee, and a supervisory committee are provided for. Other clauses provide that the capital shall be unlimited in amount, and that an annual dividend may be declared from income, after the deduction of expenses, losses, and 20 per cent of net income for a guaranty fund. But the guaranty fund payments cease when the fund equals the capital stock. Adequate provisions concerning accounts and their inspection by the state commissioner of banking are included.

Several objections and shortcomings are at once apparent. As errors of commission, may be mentioned: (1) Limited liability. An incorporated group of poor farmers is not going to be able to command a credit much beyond that which they enjoy as individuals. The educative value of great responsibility is also lost. (2) The size of shares is too large, \$10 being a maximum when it is desired to encourage poor men to join. (3) It is dangerous to allow an unlimited capital stock and unlimited individual holdings, as this tends to introduce profit seeking, even though the one-man-one-vote rule obtains. Not more than one fifth of the shares should be held by one person. (4) The payment of dividends is made too easy. (5) The maximum loan is too small and the time too short to meet Texas conditions. (6) A maximum interest rate of 7 per cent should be authorized, the average commercial rate being 8 per cent.

Among the errors of omission are the following: (1) No limitation is put upon the area or maximum number of members embraced within a group. This, together with unlimited capital and dividends, leaves large opportunity for loose, profit-seeking operations. (2) The law might well be more specific in the matter of qualifications for membership. No emphasis is laid upon character and integrity. (3) It is not specified that loans should be made for production purposes. (4) No provision for borrowing by the association is made, and no relation is established between reserve and loans. The latter point is of capital importance; the purpose of a reserve ("guaranty fund") is to serve as a security for loans, and it should be fixed in proportion to liabilities. I believe that all profits should be carried to reserve until the desired proportion to liabilities is attained. (5) No central organization is provided.

However well it may work in Massachusetts, this law is not designed to meet the most urgent needs of Texas. In adopting the limited-liability-share principle it establishes a system which can be effective only among well-to-do farmers of some business experience. It limits loans to short periods, as must be the case where limited-liability shares exist, and the security is more fluctuating than that furnished by unlimited liability. Personal security—which is best in all credit business—is not encouraged, whereas a chief service of coöperation should be to educate and build up personal credit. It is doubtful if share capital will enable sufficient borrowing, while no special inducements seem to be provided for depositors.

The greatest need is working capital with which to make crops, with a less immediately urgent need of farm animals. This need exists more urgently among a large mass of poor tenant farmers. Therefore, the most desirable credit agency is one which can best supplement existing agencies in developing such credit as these farmers have. These facts indicate an organization of the personal credit type, confined to as small areas as is practicable, and operating with a liability that is greater than that of corporation stockholders. The object of coöperative credit is not so much to increase directly the money security as to improve integrity and, indirectly, income and ability to pay.

Recognition of the local situation, however, would seem to indicate some modification of the personal credit idea in making loans to members, temporarily, at least. The chattel and crop mortgage

system is well developed and thoroughly understood, and the existing banking machinery is adjusted to it. It does not lock the money up for too long a time, as is the case with land; and the security if seized is more readily salable. Close local supervision by interested fellow members would insure the best care for cattle, crops, etc. A use of the chattel mortgage would facilitate the securing of funds from commercial banks. Say there are twenty-five members, each of whom borrows \$300; their aggregate notes secured by chattel mortgage amount to \$7,500. Instead of going to the storekeeper, who now acts as credit middleman between bank and farms (at a rate of over 20 per cent), these twenty-five farmers give their notes to their credit unions, which deal with the bank for them. With unlimited liability, which we are supposing, it is likely that a bank would lend the association the full \$7,500 at the lowest commercial rate of interest—and angels could do no more. Even if limited liability prevailed, the association would merely make its note for enough less than \$7,500 of mortgages to allow a safe margin, and so, by risking \$7,500 for, say, \$6,000, the lowest rates might be secured.¹³

Such utilization of chattel mortgage security would make it possible to gain the most from existing banking agencies, which is highly desirable. The country banks of Texas at present extend a wide range of service to farmers and desire their business. The best attitude to take toward coöperative associations is to regard them as feeders for commercial banks. The great source of funds is the same under any credit system. *What coöperative organization should seek is to become an effective credit middleman between latent or ill-used bases of credit among farmers and the funds held in commercial banks.* To replace the storekeeper in the existing system would be a large part of its service.

That a strong central organization is needed under such conditions as prevail in Texas has already been indicated. The law should provide for a central bank to be set up in a modest way as soon as more than one local association arises. An executive committee elected by the locals would be in charge. It should be a joint-stock organization, its shares being held by locals. (Perhaps the state might temporarily make a subscription to its stocks or a deposit of state funds.) The locals, as members,

¹³ Evidently this is merely a cross between limited and unlimited liability; for the members assume a liability 20 per cent in excess of the amount borrowed.

should be required to make small regular deposits. Thus, capital would be derived both from stock subscriptions and deposits, though deposits should ultimately be the larger source. The requirement of deposits would incidentally promote thrift among the locals. This central bank through its executive committee would pass on the affiliation of locals, decide the credit to be allowed to locals, and in general serve as a clearing house to accomplish a virtual pooling of the funds of the whole system. It would also audit accounts. Each local, however, should be absolutely free to apply loans in such ways as its members might approve.¹⁴ Real coöperation is essential to coöperative credit.

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¹⁴Those who are informed on coöperative credit organizations will recognize the similarity of this plan to the one used successfully in India. The chief differences are the chattel mortgage security feature and the use of existing banks instead of specially created joint-stock "district banks."

INTEREST THEORIES, OLD AND NEW

Abstract theory, always of fundamental importance, has, as truly as practical policy, its "topics of the day," and just now discussion of the interest problem is especially active. Notable among recent articles are those by Professors H. R. Seager, Irving Fisher, and H. G. Brown.¹ Mere individual differences of opinion concern us little; but certain impersonal equities which other students of economics have in the interest problem, are involved; for in recent discussion is fairly presented the issue between the old and the new conception of the interest problem.² And yet the case for the newer view might seem to be on the point of being lost before the bar of economic opinion. It is a duty, therefore, to attempt a more adequate statement of the neglected truths.

The rival views may be characterized as the technological³ and the psychological interest theories. For more than a decade, the psychological theory has been gaining adherents in America. There has not been lacking adverse criticism in scattered book reviews and in occasional footnotes; but in the main, the opposition has been of a merely negative sort, in that most economists have failed to reckon with it and have adhered to the older theory.

I. Professor Irving Fisher as a productivity theorist.

Seager's paper, just cited, is the first systematic attempt that has been made to disprove any version of the newer theory (for Fisher's "impatience theory," which Seager attacks, has been generally supposed to be a psychological theory). The discussion started by Seager necessarily follows in large part the lines determined by Fisher's treatment. Let us first, therefore, try to get our bearings as to that. My own position on the general question

¹ AMERICAN ECONOMIC REVIEW, Dec., 1912, H. R. Seager, (critique of) "The Impatience Theory of Interest"; Sept., 1913, Irving Fisher (reply), and H. R. Seager (comment) "The Impatience Theory of Interest."

Quarterly Journal of Economics, Aug., 1913, Harry G. Brown, "The Marginal Productivity versus The Impatience Theory of Interest."

² To prevent misunderstanding, let us say that Böhm-Bawerk is here classed among those holding to the old theory, for his "roundabout process" explanation is technological, though united with strong psychological features in the explanation of consumption loans.

³ This somewhat unusual word is here employed in the sense of physically productive, a technological interest theory being one which finds the explanation of the rate of interest in the actual, practical performances, or uses, of agents in producing other goods.

involved in this discussion has in the past been with Fisher so far and so long as he adhered to a psychological explanation. And yet, I must recognize the merit of Seager's argument in several respects, and, as a psychological theorist, I find myself more disquieted by Fisher's reply than by Seager's direct attack. Particularly regrettable is the impression of confession and avoidance which Fisher gives. He seems to capitulate on the main issue. To the charge that he failed "to take account of the elements of productivity or the technique of production," Fisher enters a denial⁴ in terms which seem to imply that he is a good productivity theorist. This reply comes as a surprise even to those who were aware of certain ambiguous expressions on this point in Fisher's writings. For if he has not meant to deny, in his previous writings, the validity of productivity theories, one knows not what to believe. Here are some significant passages:

There are many who, consciously or unconsciously, ascribe the phenomena of interest to the productivity of capital in general. . . . Yet a very slight examination will suffice to show the inadequacy of this explanation.⁵

To raise the rate of interest by raising the productivity of capital is, therefore, like trying to raise oneself by one's boot-straps.⁶

Absence of interest is quite compatible with the presence of physical-productivity, and . . . therefore whatever element is responsible for the existence of interest in the actual world, that element cannot be physical-productivity.⁷

The conclusion, therefore, from our study of the various forms of the productivity theory is that physical-productivity, of itself, has no such direct relation to the rate of interest as is usually ascribed to it; and in the theories which we have examined, the rate of interest is always surreptitiously introduced.⁸

"Interest is due to the productivity of capital" . . . This proposition looks attractive, but it is superficial . . . the superior productiveness of roundabout processes of production . . . has no power whatever to create interest.⁹

Now, however, instead of meeting the question directly, and reaffirming his disbelief in the productivity theory, he seems to surrender his position as the easiest way of ridding himself of

⁴ AMERICAN ECONOMIC REVIEW, Sept., 1913, p. 610.

⁵ *The Rate of Interest*, 1907, p. 12.

⁶ *Idem*, p. 15.

⁷ *Idem*, p. 22.

⁸ *Idem*, p. 28.

⁹ "The Impatience Theory of Interest," *Scientia*, vol. IX, 1911, pp. 383, 384, 386.

criticism. He says that he pleads "not guilty to the charge of neglecting the 'productivity' or 'technique' element." He speaks of "the true way in which the 'technique of production' enters into the determination of the rate of interest;"¹⁰ he says, "'the productivity' or 'technique' element, so far from being lacking in my theory, is one of its cardinal features;"¹¹ and, again, "Productivity has not been neglected in my treatment of interest."

Now it is true that these somewhat general expressions alone merely raise the reader's doubts. For to say that he does not neglect "productivity" or that it is not lacking in his theory does not positively commit Fisher to belief in a productivity explanation of interest as distinct from an essentially psychological explanation. But other expressions deepen the reader's doubts, and suggest strongly that Fisher objects only to certain formulations of a productivity theory, not to productivity theories on principle.

He admits¹² that in his book he has criticised "*the ordinary*"¹³ productivity theories," but says that he then "explained to the reader that later in the book *I would rebuild the 'technical' feature* which, in the theories of others, I sought to destroy." Again¹⁴ he speaks of his strictures on "*the ordinary* productivity theories," implying that some productivity theory or theories may be tenable. Again he reproaches Professor Seager with being "open to the charge of regarding all productivity theories as alike sound in principle" (implying that some *are* sound?). And he expresses the belief that "every one who has read Böhm-Bawerk should believe that *the ordinary*, or as Böhm-Bawerk calls them, *the 'naïve'* productivity theories are snares and delusions."¹⁵

These passages taken by themselves give the impression that the author is at heart as good a productivity theorist as any one; indeed, he collates them himself, seemingly, for the purpose of producing just this impression. This clearly is out of accord with the spirit and letter of much else that Fisher has said in denying productivity as a causal explanation of interest. The most lenient interpretation is that Fisher is here speaking in the spirit of an earlier statement;¹⁶

¹⁰ AMERICAN ECONOMIC REVIEW, Sept., 1913, p. 610.

¹¹ *Idem*, p. 610.

¹² *Idem*, p. 611.

¹³ My italics throughout.

¹⁴ *Idem*, p. 611.

¹⁵ *Idem*, p. 617.

¹⁶ *The Rate of Interest*, p. 231.

If after all has been said and understood, any one still prefers to call such a loan "productive," no objection is offered, provided always that it is made wholly clear what is meant by the term "productive."

Here it seems clear that Fisher did not think the term productive, which he carefully enclosed in quotation marks each time, was a fitting adjective for such loans, made by borrowers for the purpose of gaining a profit. In his reply to Seager, however, Fisher's mood is all for so emphasizing any earlier statement of the tolerant sort as to make it appear that he does not deny the productivity theory of interest. He cites several passages in his earlier writings in which he has used such expressions as "the elements of truth contained in the claims of the productivity theories."¹⁷ He says: "It was through mathematics that I saw the nature and importance of productivity in relation to interest," giving the impression that he at one time disbelieved in productivity as a causal explanation but had come to see his mistake. He says that his book "was written expressly for that purpose (rendering of the technique element)."¹⁸ Despite his ability to adduce these evidences of his innocence of the charge of disbelief in the productivity interest theory, Fisher is penitent for not having made his position clearer. He declares that he has himself "to blame" "for the mistakes he (Seager) has made." He concludes this recantation:¹⁹

I ought, I doubt not, to have put forward the productivity element more prominently and with less avoidance of the term "productivity." I remember consciously avoiding this term so far as possible lest the reader should associate my theory too much with *the many false theories of productivity*.²⁰

The most clear-cut evidence that he cites from his writings to prove that he never intended to deny the validity of the productivity theory *per se* is this:²¹ "Again I specifically stated (*The Rate of Interest*, p. 186): 'But while the slowness of Nature is a sufficient cause for interest, her productivity is an additional cause.'" A phrase which might have been deemed an oversight when taken in connection with other earlier statements, is here deliberately reaffirmed, and casts doubt upon the meaning of much of Fisher's previous writings. Just what is his position on the productivity theory? His recent apology, appearing at the same time

¹⁷ AMERICAN ECONOMIC REVIEW, Sept., 1913, p. 612.

¹⁸ *Idem*, 613.

¹⁹ *Idem*, p. 617.

²⁰ My italics.

²¹ *Idem*, p. 612.

that his colleague, Dr. H. G. Brown, publishes an elaborate defense of an eclectic productivity theory, is most disappointing to the group of true psychological interest theorists in America who a few years ago welcomed Professor Fisher as an accession to their ranks, and who still cherish the hope that, after he has fed for a time on the husks of the productivity theory, they may greet him again as a returning prodigal.

II. *Origin of the capitalization theory.*

As a basis for further discussion, a brief review must be given of the origin and main features of "the capitalization theory" of interest as I had developed it several years before the publication of Professor Fisher's theory of interest in 1907. My attention was drawn to the subject repeatedly between the years 1895 and 1900 while I was studying the theory of distribution; and in an article on the capital concept, in 1900, I said:

I would not exaggerate the significance of the change here proposed in the capital concept, yet it would be folly to ignore the consequences its acceptance would involve for economic theory . . . The current theories of land value, of rent, of interest, to a greater or less extent rest on the unsound ideas which have been criticised throughout this paper. On another occasion the writer will attempt to state the outlines of an economic system of thought in harmony with the capital concept here presented.²²

Again, in a paper presented the same year at a meeting of the American Economic Association, it was said among other statements pointing in the same direction:

With this change [of the capital concept] must go a change in the whole conception of interest, which likewise is connected in the still current treatment with a factor that has been produced by labor. The multitudinous and naïve inconsistencies of the older treatment became apparent when viewed in the light of the later value theory.

The doctrines of rent and interest as currently taught are hopelessly entangled in these old and illogical distinctions. The two forms of return for material goods must be considered as differing in modes of calculation, not as to kinds of agents and as kinds of return. The object of this paper may now be restated . . . to show the necessity of rewriting the theory of distribution along radically new lines . . . and the acceptance of doctrines, the readjustment of which is shown to be inevitable.²³

²² "Recent Discussion of the Capital Concept," *Quarterly Journal of Economics*, vol. XV (Nov., 1900), p. 45.

²³ Proceedings of the Thirteenth Annual Meeting, Dec., 1900, "The Next Decade of Economic Theory," *Publications of the American Economic Association*, 3d series, vol. 2, pp. 240, 246.

More than a year later, in reviewing some essays by Böhm-Bawerk,²⁴ I said:

Great as have been the services of our author in stimulating to clearer and deeper thinking in economic theory, his presentation of a *Capitalstheorie* evidently is not destined to be a finality. Some development it is sure to undergo, and is undergoing. And that development lies along the lines of a value concept as opposed to a cost-of-production concept.

Again in the same year, at the conclusion of a critical article on Böhm-Bawerk's theory:²⁵

Let us venture an opinion as to the nature of the difficulty and the direction that must be taken to reach a correct solution. . . . Let us suggest the view that rent and interest are very dissimilar aspects of the value of goods. Rent²⁶ has to do with "production" of scarce and desirable uses of things. To the interest theorist this is in the nature, one might almost say, of an ultimate fact. The interest theory begins with the valuation of these different rents or incomes, distributed through different periods of time. The 'productiveness' of a material agent is merely its quality of giving a scarce and desirable service to men. To explain this service of goods is the essence of the theory of rent. Given this and a prospective series of future services, however, the problem of interest arises, which is essentially that of explaining the valuation set on the future uses contained in goods. Interest thus expressing the exchange ratio of present and future services or uses is not and cannot be confined to any class of goods; it exists wherever there is a future service. It is not dependent on the roundaboutness of the process; for it exists where there is no process whatever, if there be merely a postponement of the use for the briefest period. A good interest theory must develop the fertile suggestion of Böhm-Bawerk that the interest problem is not one of product, but of the exchange of product,—a suggestion he has not himself heeded. It must give a simple and unified explanation of time value, wherever it is manifest. It must set in their true relation the theory of rent as the income from the use of goods in any given period, and interest as the agio or discount on goods of whatever sort, when compared throughout successive periods.

A year later, in 1903, I outlined the same conception of a thoroughgoing psychological analysis, and for the first time gave

²⁴ "Einige Strittige Fragen der Capitalstheorie," *Political Science Quarterly*, vol. 17 (Mar., 1902), p. 173.

²⁵ *Quarterly Journal of Economics*, vol. 17 (Nov., 1902), p. 179.

²⁶ The reader will observe that the term rent was there used in the more general sense of the income from the use, or the usance, of agents, not merely in the sense of contractual rent. This particular terminology which was due to the influence of J. B. Clark, has since been modified, not to weaken but to strengthen, the conception involved.

the name of "a theory of capitalization" to the proposed treatment of what usually is called "economic interest."²⁷

Another solution may be found by combining into a logical system the three typical modes in which goods appeal to wants. First, goods appeal directly as want-gratifiers immediately available. Here is required a theory of wants and enjoyable goods, and the technical analysis of marginal utility. The mental process here examined is chronologically the first stage of evaluation, in the history both of the individual and of the race. Secondly, goods appear as more or less durable, and may be made comparable by being considered, through repairs, to be lasting use-bearers, yielding in a given short period a group of uses. Here is the place for the theory of rents. This is chronologically the second stage of evaluation, when durable goods are thought of and expressed in terms of their usufructs. Thirdly, whenever two non-synchronous gratifications, rents or series of rents, are exchanged, they must be discounted to their present worth to be made comparable. Here is required a theory of capitalization, that is, of economic interest. This is historically as well as logically the latest stage of evaluation, characteristic of a developed money economy and of a "capitalistic" era. These three phases must be observed in every complete analysis of value.

In an elementary textbook published in 1904 (*The Principles of Economics*) this conception of the interest theory was embodied, not as a thing apart from, but as an integral part of, a general theory of value. This mode of treatment, though new,²⁸ was not labeled with a distinctive name, and, being presented in an elementary text, has doubtless remained unread by many economists, and its true import unrecognized by some who have read it.

As is shown in the passages cited above, my conception long has been that in the analysis of the value problem the value of enjoyable goods must be first considered; that this should be followed by the valuation connected with the *physical productivity* of agents; and that only after full consideration of income expressed in psychic terms, in physical terms, and in monetary terms, is it in order to take up the theory of time-value, which is then

²⁷ *Publications of the American Economic Association*, 3d series, vol. V, in a paper on "The Relations between Rent and Interest," p. 197.

²⁸ Believing this conception to be logically involved in much of Böhm-Bawerk's argument in his critical volume, "Capital and Interest," I credited him with "the fertile suggestion" (see above, p. 73, quotation from the article, "The Roundabout Process"). But he has not accepted this interpretation; indeed, this would invalidate the greater part of what is distinctive in his positive theory of the roundabout process, to which he adheres without change in the latest edition, 1912.

to be developed as the basis of capitalization of incomes and of a resulting rate of contract interest.

III. Positive statement of the capitalization theory.

Accordingly, in my text, the first forty pages are devoted to psychic income and to the process of valuation which results in a price of things considered as directly enjoyable objects of choice. In the next division, comprising nearly sixty pages, is taken up the physical productivity of wealth, the uses of goods, and the valuation of those uses. Contract-rent is here based upon the valuation, to individuals, of the productive uses of durable agents, just as contract-price is based upon the valuation of enjoyable goods. A hundred pages were thus given to explaining as well as I was able to do it in a first sketch of the theory of distribution for elementary students, what income is, and how income arises, so that it may be the object of choice and of exchange. In the next division (Capitalization and Time-value) I discussed, in seventy pages, the various problems of value that arise from a comparison of goods in point of time. I treated capitalization as the problem of valuation of durable agents, and developed a theory of the rate of interest on contract loans based on this conception of capitalization.

For the reader unacquainted with the capitalization theory, its essential features may be here outlined. At the outset let us seek to avoid the confusion caused by the use of the word interest in two senses, first, of a payment for contract loans made in terms of money, and, secondly, of the difference in value between like goods available at different times. Economists have of late generally recognized these two meanings, and have sought to distinguish them by the terms contract and economic interest.²⁹ Though such a terminology is an improvement upon the old, it leaves an ambiguity that continually reappears in the discussion. I therefore used the word interest solely in its original and still almost universal commercial sense of contract-interest, and I used the term time-value to designate the other problem of "economic" or "implicit" interest.³⁰

²⁹ Fisher prefers to call the one explicit and the other implicit interest. However, throughout his book he uses the phrase "the rate of interest" almost if not exclusively for contract interest, and other terms, such as rate of preference, time-preference, etc., when implicit interest is meant.

³⁰ Other expressions, to designate various aspects of the same problem, used in my *Principles of Economics* (1904), were "choice between different values,"

Seeing the two problems as in large measure distinguishable, and seeking for the logical starting point in the study, I asked: Which of these two questions was prior in history and which is primary in logic? In both cases the answer was time-value. The canon of priority in economic reasoning applied here: whichever of two interrelated problems or mutually acting forces can be thought of as existing without the other, must be primary in the explanation. A rate of interest on money loans would be unthinkable if there were no differences relative to time in the estimates men placed on some goods available at different points of time. On the other hand, the use of money and the practice of borrowing and lending in terms of money are of comparatively recent origin; and the estimate of time-value today is thinkable, and is actually made, apart from the use of money or from any act of borrowing or exchange between persons. It must always have been found, as it now is in countless cases, in an impersonal relation between man and objects. Further, I applied the same test to determine the priority of capitalization and the rate of interest on loans (taking capitalization to mean simply putting a valuation, a present worth, upon a more or less durable group or source of incomes). The usual view has been that capitalization is subsequent to a rate of interest. But capitalization, as the process of putting a present worth upon any durable source of wealth and thus discounting its future uses by the act of exchanging it for other things, must have occurred many times before a rate of contract interest existed. This process surely occurs now in many cases without previous reference to such a rate. If, however, the less crude view be taken, that the interest problem studied is economic interest (time-discount) rather than contract interest, it is clear that this also is an aspect of the capitalization rather than antecedent to it. This rate of discount ("implicit" or "economic interest") is in itself nothing but an arithmetic reflection, in no sense causal, of the preference implied in the valuation of goods. Robinson Crusoe, in his individual economy, must, by his choice of goods which embody uses maturing at different periods, wrap up a scale of time-values which only later, if ever, except in a very vague form, appears. p. 104; "difference in want-gratifying power," p. 144; "time-difference"; "time-discount"; "the rate of time-discount," p. 145; "estimate of time value," p. 145; "a choice between present enjoyment and future provision," p. 146; "a premium rate on present goods," p. 146; "the exchange in time-valuation," p. 146; "preference of the future over the present," p. 158; "the preference of present over future," p. 159.

pear as an arithmetic rate. The primitive economy in its choice of enjoyable goods of different epochs of maturity, in its wars for the possession of hunting grounds and pastures, in its slow accumulation of a store of valuable durable tools, weapons, houses, boats, ornaments, flocks and herds, first appropriated from nature, and then carefully guarded and added to by patient effort—in all this and in much else the primitive economy, even though it were quite patriarchal and communistic, without money, without formal trade, without definite arithmetic calculations, was nevertheless *capitalizing*, and therefore embodying in its economic environment a rate of premium and discount as between present and future.

This, then, is the essence of the capitalization theory of interest as nearly as we can put it in a proposition: The rate of interest (contractual) is the reflection, in a market price on money loans, of a rate of capitalization involved in the prices of the goods in the community. The price of durable agents is a capitalization which involves a discount of their future uses, and this is logically prior to the rate of contract interest. The logical order of explanation is from numberless separate acts of choice of goods *with reference to time*, to the value (and prices) of durable goods embodying future incomes, and finally to the market rate of interest.³¹ This interest theory was new in its *order of development* from elementary choice; in the *priority it assigned to capitalization* above contract interest; in its *unified psychological explanation* of all the phenomena of the surplus that emerges when undervalued expected incomes approach maturity, the surplus all being derived from the value of enjoyable (direct) goods, not by two separate theories, for consumption and production goods respectively; in the *integration* of the interest theory *with the whole theory of distribution*; and in a number of details necessarily related to these features.

³¹ When, however, attention is given to the details in the modern loan market following the action of this man or that, or studying a temporary situation such as a sudden demand for loans on the occasion of a war or in a financial panic, we break into the explanation at a different point. The change in the immediate status of the loan market is reflected in widening circles and for a time affects the capitalization of much of the wealth in the economy (of the nation or of the world). This and many other needed interpretations are briefly indicated in my elementary text. It is fundamental to the conception of the capitalization theory, however, that these impulses from the money market are not, as they superficially appear, primary or causal in a theory of interest, in the same sense as is the preference in time for enjoyable goods and the resulting level of capitalization. See especially chs. 17-19, in my *Principles of Economics*, 1904.

A just opinion of the newer theory is possible only to those who are willing to re-think the fundamental economic concepts. The change in the interest theory is only a part of the general reformulation of distributive theory which has been under way for a third of a century. It is to be understood only in that light.

IV. *Some difficulties in Fisher's impatience theory.*

From the standpoint of the capitalization theory, the various questions raised in the discussion between Seager and Fisher and in Professor Brown's paper, appear from a new angle. It seems to be a different standpoint from that of Fisher, although at times he may appear to hold it. It is true that in his work *The Rate of Interest* (1907), in which his theory was first presented, he introduced his "first approximation" with a chapter on time-preference, which he declares to be "the central fact in the theory of interest," giving in a footnote without comment at this point³² a page reference to my text. He says that "the income concept plays the central role."³³ But he treats capitalization as subsequent to a rate of interest, saying:³⁴

When any other goods than enjoyment incomes are considered their values already imply a rate of interest. When we say that interest is the premium on the value of a present house over that of a future house we are apt to forget that the value of each is itself based on a rate of interest. We have seen that the price of a house is a discounted value of its future income. In the process of discounting there lurks a rate of interest. The value of houses will rise or fall as the rate of interest falls or rises. Hence, when we compare the values of present and future houses, both terms of the comparison involve the rate of interest. If, therefore, we undertake to make the rate of interest depend on the relative preference for present over future houses, we are making it to depend on two elements in each of which it already enters.

And again he says:³⁵ "The value of the capital is found by taking the income which it yields and capitalizing it by means of the rate of interest." Still later he writes:³⁶ "Capital value is merely the present or discounted value of income. But whenever we discount income we have to assume a rate of interest."

From the moment Fisher begins his first approximation³⁷ he

³² *The Rate of Interest*, p. 88.

³³ *Idem*, p. 88.

³⁴ *Idem*, p. 91.

³⁵ *Elementary Principles*, 1912, p. 229.

³⁶ *Idem*, p. 336.

³⁷ *The Rate of Interest*, p. 117.

takes his standpoint in the money market and supposes an existing rate of interest to which rates of time-preference of individuals are later brought into conformity. His treatment throughout is of the actuarial, mathematical type, concerned with the explaining and equalizing of incomes which are assumed to be present. I feel as strongly as does Professor Seager the neglect, in this treatment, of the element of productivity in accounting for the existence of the incomes.³⁸ From my point of view the difficulty appears to inhere in Fisher's general conception of the problem.³⁹ I differ from the productivity theorist, however, in looking upon the interest problem as that of explaining not the existence nor yet the magnitude of those incomes, but the rate of their valuation to the valuation of the capital sum (principal) to which the contract rate (percentage) refers.

I share with Seager the opinion that there is no "sovereign virtue in mathematical modes of thought" which safeguards the mathematical economist from error. Indeed, there seem to be characteristic mathematical illusions.

I share Seager's doubt of the aptness of the proposition that impatience is "a fundamental attribute of human nature" or is

³⁸ AMERICAN ECONOMIC REVIEW, Dec., 1912, pp. 836-837.

³⁹ My purpose, in large part, in calling attention to my mode of approach to the interest problem as outlined above, is to show that the psychological theory, in its original form, is not open to the criticism which Seager forcibly directs against Fisher, "that he dissociates his discussion completely from any account of the production of wealth." To be sure, Fisher's reply begins with a categorical denial, "I did not dissociate" (AMERICAN ECONOMIC REVIEW, Sept., 1913), but he immediately admits that in his "first approximation" the income streams were "temporarily assumed." And while in his larger theoretical book, he believes that "this assumption gives place to the more complicated conditions of the actual world," when he comes to the second and third approximations, he confesses that those complications were, "for the most part, omitted (as too difficult and controversial)" from the elementary book. Seager's comment (AMERICAN ECONOMIC REVIEW, Sept., 1913, p. 618) is pertinent: "A methodology that causes an author to drop out an essential link when he tries to restate his theory in elementary form seems to me to be almost self-condemned." At this point may be recalled my own criticism of Fisher's treatment of capital in his *Capital and Income*. Reviewing this in the *Journal of Political Economy*, March, 1907, vol. 15, p. 147, I spoke of a "certain isolation in Fisher's capital theory. He began the analysis and reconstruction of the capital concept as if it were a task apart from the theory of distribution as a whole. . . . The capital theory presented has therefore a certain character of intellectual aloofness that leaves it out of touch with the larger theory of distribution, of which it should be but one part." The same criticism applies in general to *The Rate of Interest*, published a year later.

"the essence of interest," though my doubts are for a different reason.⁴⁰ It is interesting to notice that Fisher himself did not seem to hold this view when he wrote *The Rate of Interest*, in 1907. He said:⁴¹

It shows also that the preference for present over future goods of like kind and number is not, as some writers seem to assume, a necessary attribute of human nature, but that it depends always on the relative provisioning of the present and future.

In an article in 1911,⁴² he for the first time used the term impatience in this connection, which he confesses is but a "catch-word" in place of time-preference. With this change of name has gone a change in the conception of the thing designated.

In my own book, *The Rate of Interest*, for instance, this term was unused because unthought of, and the clumsier and less explanatory term "time-preference" was employed instead. The proposal to employ the term "impatience" is here made for the first time. . . . Impatience is a fundamental attribute of human nature.

In 1912,⁴³ he restates the same view: "It [impatience] is a fundamental attribute of human nature. . . . Interest is, as it were, human impatience crystallized into a market rate."

My objection to this change of terms is that if the new word is more "catchy" it is less fitting than the word it displaces. Impatience is freighted with suggestions of "eagerness for change, restlessness, chafing of spirit, fretfulness, passion" (Webster). Time-valuation or time-preference better expresses the complex of motives which at one time impels men to get goods earlier, and again leads them to postpone use by storing goods and by working for the future in many ways. A prevailing rate of interest is the resultant of all kinds and degrees of time-preference in a community, *preference for goods in the future* in some cases as well as preference for goods in the present, and it seems a great straining of words to attribute the resulting rate of interest to impatience alone. Patience, self-denial, the quality expressed in the old term abstinence, have a no less important part in the explanation.

Let us pass with brief mention the question which takes up a goodly space in Seager's criticism and in Fisher's reply—whether individuals are able to, and actually do, bring their "rate of im-

⁴⁰ Seager, *AMERICAN ECONOMIC REVIEW*, Dec., 1912, p. 835.

⁴¹ *The Rate of Interest*, p. 184.

⁴² "The Impatience Theory of Interest," *Scientia*, vol. IX, p. 387.

⁴³ *Elementary Principles*, p. 371.

patience" (time-preference) into exact accord with that implied in the market rate of interest. Seager did well to question the statement, and Fisher's concessions on this point do not leave very much in dispute. The individual brings his rate of time-preference into accord with the market rate, so long as that adjustment yields him an advantage, and so far as he has something to exchange, can furnish security, or is not hindered by friction in other ways. Within the larger national economy, there are many imperfectly connected, provincial, class and family groups living in diverse economic conditions, and having diverse capitalization rates. In the central credit-market, as in the simplest typical price problem of the sale of commodities, we may always conceive of some excluded would-be buyers, and likewise sellers, who remain outside the limits of actual trading because valuing their purchasing power and the sale-goods in a ratio which gives no margin of advantage at the market price.

V. Physical- and value-productivity distinguished.

The more serious theoretical issue involved here is the ground of Seager's objection, which Fisher does not touch in his reply. It is that the technical productivity of agents is the cause of the impatience. Seager says:⁴⁴

So far as I can see, with the technical superiority of present over future goods, or the productivity of capital, absent, the question as to whether interest would continue or not is an entirely open one. . . Is it [time-preference] not rather a result of the present industrial organization of society arising chiefly from the fact that capital plays such a tremendously important role in production and that, under the system of private property in the instruments of production and free competition, capitalists can secure a return corresponding, at least roughly, to the part of the value-product that is economically imputable to the assistance which their capital renders? That is the view of the productivity theorists.

Whereupon Seager enters into a defense of the productivity theory, *via* a direct denial of Böhm-Bawerk's criticism of it as adopted by Fisher.⁴⁵

Seager's argument at this point seems, indeed, to imply, as Fisher

⁴⁴ AMERICAN ECONOMIC REVIEW, Dec. 1912, pp. 841-842.

⁴⁵ Fisher has followed Böhm-Bawerk in presenting objections to the productivity theory in terms that logically invalidate every productivity theory and, apparently, is again following his example in withdrawing the objections in so far as they apply to any but the naïve theories. (See above, pp. 70-71.)

says,⁴⁶ that Seager regards "all productivity theories as alike sound in principle." Seager's opinion has, however, an element of progressiveness in it, for he says that nothing has shaken his "confidence in the essential soundness of the productivity-theory explanation of interest, when presented not as the complete explanation but as the necessary supplement to the discount theory."⁴⁷ He suggests in his explanation (also eclectic) of the way in which expenses of production and prices are related, that it is "nearer the truth to say that prices . . . determine the expense of production than the reverse." Yet he concludes,⁴⁸ "the chain of causation is not straight, but it turns upon itself in a circle." He seems about to avow the same doctrine of coördinate rank and mutual influence as between technical productivity and time-preference, but he turns to the view that the part of productivity is in a fuller sense causal and primary, and that time-discount is the resultant of this.⁴⁹ He declares that it is borrowers' "demand for capital growing out of" the productivity which is "the positive, active influence determining interest."

The capitalization theorist is compelled regretfully to reject the compromise involved in this enlightened eclecticism. For this is the way Seager begins his indication of what his theory "does and what it does not involve:"⁵⁰

It starts out with the proposition that entrepreneurs desirous of making profits by supplying goods at current prices compete against one another for control of the factors necessary to production. This competition tends to keep their own profits down to a large or small "wages-of-management" and to force them to pass along as the remuneration of the factors which they hire, subject to this deduction and to a deduction for the replacement fund, the total price which they receive for the things which they sell. It is, therefore, contended that it is the part these factors play in production as compared and measured by the entrepreneurs that determines the shares of this total price that are assigned to them. The part that capital plays presents two aspects: that of capital goods available at a given instant of time, and that of the purchasing power tied-up in these capital goods during the period that they are performing their productive function. In relation to the first aspect, entrepreneurs appear as buyers. Normally, under conditions of free competition, the prices which they must pay for capital goods conform to their expenses of production. In relation to the

⁴⁶ AMERICAN ECONOMIC REVIEW, Sept., 1913, p. 617.

⁴⁷ *Idem*, Dec., 1912, p. 849.

⁴⁸ *Idem*, p. 845.

⁴⁹ *Idem*, p. 848.

⁵⁰ *Idem*, p. 847-848.

second aspect, entrepreneurs appear as users of capital. How much interest they can afford to pay for such use, entrepreneurs estimate through comparing the productive services of capital goods at current prices with the **productive services of workers**, who at some points are interchangeable with capital goods, at current rates of wages. Through these comparisons the general rate of interest, so far as it depends upon the demand for capital for use in production, is determined.

Space does not permit of detailed comment to show that almost every sentence of this argument clashes with the physical productivity theory.

The productivity of which use is made when the explanation is really begun is not technical or physical productivity at all, but is the capacity which goods bought with judgment *at current prices* have, in the hands of enterprisers, of yielding a net surplus, sufficient not only to remunerate them, but to pay contract interest to lenders. The amount of interest which "enterprisers estimate" they can afford to pay (*i.e.*, the maximum amount) is the difference between the discounted, or present, worth of products imputable to these agents and their worth at the time they are expected to mature. The prices of the agents, which are the costs, involve (not presuppose) a rate of discount. As was said in my text:⁵¹

When the agent is bought outright, the very concluding of the bargain fixes a relation between the expected value of the income and the value of the capital invested. In other words, the exchange of durable agents virtually wraps up in them a net income which it is expected will unfold year by year when rents mature and are secured.

Undoubtedly, at this point is the crucial test of the competing theories. Is it productivity of agents that makes business men willing to borrow and pay interest? Could they afford to pay interest varying with the time element, if the value of the productivity, however large or small, were not discounted in the price of the agents they borrow (or buy with borrowed money)? I think not. Seager says:⁵²

It is their [the business men's] demand for the savings of others for use in business enterprises that causes the balance always to be on the side of a positive rate of interest.

But this demand cannot reasonably begin unless there is already a balance on the side of a discount of values of the future uses of agents. Viewed from the standpoint of the capitalization theory, the causal order is the reverse of that of the productivity theory.

⁵¹ *The Principles of Economics*, 1904, p. 127.

⁵² *AMERICAN ECONOMIC REVIEW*, Dec., 1912, p. 838.

Of course, there must be future expected uses, (incomes), that is, productivity, as there must be men, if there is to be a valuation process, and as there must be some social organization if there are to be markets and prices. But if the future value of the products were not discounted, there could be no rate of interest. It varies with the magnitude of the time-discount at which borrowers, on the whole, are able to buy the title to the future products; and time-discount varies with changes in the whole complex economic situation, of which technical productivity is but one element, others being forethought, provision for needs in accordance with a prevailing standard (itself a complex thing), social and moral ideals, political conditions, etc., etc. It is the opportunity which the possession of ready money gives to the enterpriser to buy goods at a price involving a discount proportional to the futurity of the expected returns, that makes him willing to contract to pay interest. When these expected returns (the products) do appear in the course of time, their value-magnitude is, or should be, greater than was their investment magnitude, and it is out of this value-surplus, directly conditioned on an antecedent discount of the value-productivity, that contract interest is paid.

Before leaving this phase of our subject, let us look at it from one more angle, in the hope that some reader may find this a more helpful point of view. My contention throughout has been that the productivity theory in any of the versions known to me, and, specifically, in the entrepreneur version, defended by Seager, involves a confusion between physical-productivity and value-productivity; that in the course of the reasoning there is a shift from the one idea to the other. Seager admits that this confusion "has sometimes occurred,"⁵³ but he believes that there is a "necessary or logical connection between physical-productivity as a general phenomenon of capitalistic production and value-productivity." To bridge this logical gap seems to him, however, to be so simple a task that express proof of it may be assumed "to be superfluous," for he thinks it is merely "an obvious deduction from the accepted principles in regard to the determination of exchange values and prices." His proposition, therefore, is substantially this:⁵⁴ The capital (agents) by virtue of its technical productivity here and now, produces more goods, and these goods have (when commodities generally are considered, and not some exceptional commodity)

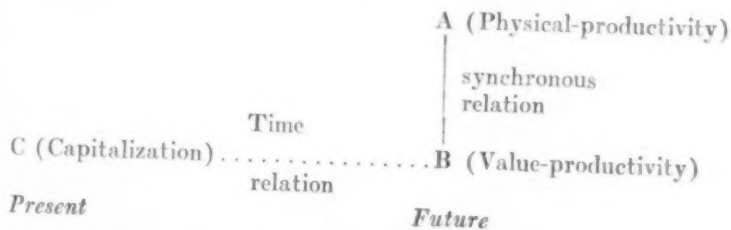
⁵³ AMERICAN ECONOMIC REVIEW, p. 842.

⁵⁴ *Idem*, pp. 842-843.

a greater value than the goods which would have been obtained without the capital. Hence, Seager concludes:

Admitting the physical-productivity of capital . . . the value-productivity . . . or more accurately an increase in the total value-product as a consequence of the assistance which capital renders to production seems to me to follow as a logically necessary consequence.

Here, where Seager would expect dissent, I readily agree; but hasten to add that *this* value-productivity is not at all *that of* which the productivity theorist speaks in his interest theory. Here we are saying merely: If agents used at this moment produce more, the products (speaking of the general and usual result) have more value here and now than the products that could have been obtained without the help of the productive agents. But the value-productivity which furnishes the motive to the enterpriser to borrow and gives him the power, regularly, to pay contract interest, is due, not to the fact that these products will have value when they come into existence, but to the fact that their expected value is discounted in the price of the agents bought at an earlier point of time. The two relations are in different planes. It is a problem of two dimensions which may be represented as follows:



The modern productivity theorist assumes as quite obvious the value-productivity B, as derived synchronously from the physical productivity A, but he ignores the problem of the discount relation in time between B and C. The pseudo-value-productivity assumed in the productivity theory of interest is all, however, involved in the unexplained discount relation between B and C, not in the identity relation between A and B. This is the *petitio principii* of the theory.

The value-surplus referred to is that part, imputable to, and varying with, the time element, and not that due to the peculiar commercial skill, or to the luck, of the enterpriser, in finding unusually low valued agents in one place, or unusually high valued products in another. If one did not bear in mind the complex

character of the gross income "profits," one might be tempted to exclaim: If the enterpriser must pay as interest the whole amount involved in time-discount, he never would have a motive to borrow. It is just here that appears so plainly the middleman's character of the productive borrower. The rate of interest is a market price at which (security, etc., equalized) the individual borrows; but those with superior knowledge and superior foresight are able to buy in one economic group and to sell their products in another, to buy "underestimated" goods and to find a favorable market for highly esteemed products. They are merchants, buying when they can in a cheaper and selling in a dearer capitalization market,⁵⁵ acting as the equalizers of rates and prices. It is the mercantile function everywhere to do this. So we must dissent again when Seager says:⁵⁶

And it is this demand for capital growing out of the important role capital plays as a factor in production, that is the positive, active influence determining interest, in the same sense that utility may be said to be the positive, active influence determining value.

Rather, this demand for capital determines interest in the same sense that the merchant's demand determines the wholesale price of merchandise, he merely judging and transmitting to the wholesaler and manufacturer the ultimate consumer's demand for various goods. In this case, the middleman's demand for capital (that is, for loans) is a reflection of the time-valuation of consumers as embodied in the prices prevailing in the markets for goods.

Professor Seager seems so near at times to abandoning the cost-of-production theory of prices with which the productivity theory of interest is related, and has contributed such valuable and needed criticism to the present discussion, that it is to be hoped that he may yet bring his powerful aid to the capitalization camp.

VI. *The capital concept in the interest theory.*

The difficulty of seeing the capitalization problem in a broad way, as something touching all sources and groups of income, is, however, insurmountable so long as one adheres to the old concept of capital. Seager uses capital⁵⁷ "in the sense of the produced means of further production," and distinguishes land and capital as two groups of concrete objects, one of which owes its value to

⁵⁵ See above, pp. 77, 83-84.

⁵⁶ AMERICAN ECONOMIC REVIEW, Dec., 1912, p. 848.

⁵⁷ *Idem*, p. 844.

nature, and the other to labor. It is, of course, futile to attempt here a restatement of the reasons, negative and positive, against this view. They have been pretty fully stated elsewhere. Seager seems still to conceive of the interest problem as connected only with produced means of production, as did the older English economists, and as all productivity theorists incline to do. This inclination is found along with a treatment limited mainly, if not entirely, to contract interest.

But how can the "economic interest" aspect of the problem be limited to the income yielded by tools and machines? Why is not this problem presented in the case of incomes from land (or from an orchard, to which example Seager objects as not being typical of all forms of capital)? How account for the capitalization of this land and of this orchard? By applying a rate of interest derived from the money market as Fisher would seem to do, or a rate taken from the market for the loan of purely "produced" capital goods (whatever that may mean)? Cannot unproduced agents be capitalized unless the rate of discount is first discovered by making produced goods? Is not a capitalization rate conceivable in a community where land is the only form of wealth that is bought and sold? If so, then the thought is not avoidable that a rate of interest on contract loans to purchase land may prevail, reflecting this implied rate of capitalization—the chance for profit operating as a motive for the loan just as it does in manufacturing and commerce. Is interest not connected with a loan of money to buy "natural" agents as fully as with that to buy "artificial" agents? An answer to these questions inevitably carries one into the atmosphere of the capitalization theory, where the arbitrary limitation of the interest problem to loans made to buy "produced" agents becomes unthinkable.

But there is still the old question, how account for the tendency of profits (in the old broad sense of the term, including interest) toward equality; how explain the fact that on the average, though with many exceptions and fluctuations, the rates of profit to be had by productive borrowers in the various industries do not get so very far apart? There is the old explanation of cost-of-production of capital, upon which the latest productivity theorists still rely, and there is the capitalization theory. Both of these concede a place to the enterpriser. In the older view, the place is worthy to be called causal, in that, when any agent yields an abnormal return, he produces more agents, by incurring "costs" (which are

either assumed to be fixed or are left quite unexplained), putting the price of more labor and materials into them and thus bringing their price into conformity with other agents of the same cost. The citadel where the productivity theorist feels his position to be impregnable is just here, in the thought that the amount and the value of "capital" (produced agents) is "brought into conformity with the expense of producing them," thus regulating the interest rate. Seager is on familiar ground when he says:

Since there is nothing in the assumption that the productivity of all instruments is doubled that involves any serious change in the expense of producing the instruments.⁵⁸

We must dissent. The doubling of the productivity of all agents alike would have very diverse effects upon the prices of the various enjoyable goods, and these prices would be reflected in the valuation process to the prices of the different natural sources and of all other agents, thus altering greatly the whole scale of costs in "producing" more agents.

But is this not a recognition that technical productivity has *some* influence upon the comparison of present and future gratifications, and hence upon the rate of interest? Surely, some influence it has, but the causal order of explanation is very different from that of the productivity theory. Technical productivity is one of the facts, physical, moral, intellectual, which go to make up the whole economic situation in which time-preference is exercised. That this, however, is not going over to the productivity theory of interest is shown by the fact that it points to an opposite conclusion as regards the resulting rate. The greater provision for present desires thus made possible leads us to expect a reduction of the preference for present goods and a lowering of their valuation in terms of future goods. This (other things being equal) would be reflected in a lower rate of time discount and a lower, not a higher, rate of interest, as the productivity theorist believes.⁵⁹

May we not then conclude that the cost-of-production-of-capital explanation of interest is a partial glimpse of an intermediate and subordinate process of the adjustment of prices, in part a mistaking of effect for cause? It assumes a dual theory of investment prices; some prices are explained as due to demand and others as due to cost. The prices of the factors (materials, tools, labor)

⁵⁸ AMERICAN ECONOMIC REVIEW, Dec., 1912, p. 847.

⁵⁹ On this Fisher has taken a position in accordance with the capitalization theory. See AMERICAN ECONOMIC REVIEW, Sept., 1913, p. 614.

are taken as a basis from which to calculate the rate of interest, a sort of turtle's-back (as in the ancient theory of the universe) on which the giant, Entrepreneur, stands while carrying on his back the burden of interest.

The capitalization theory views the causal order very differently. First, time-valuation being embodied in durable agents with incomes extending over a period of time, becomes the capitalization of agents containing future uses, this involving a rate of time-discount. This, in a market with exchange, becomes price, which is cost to the enterpriser seeking a profit by buying these factors, combining them more or less with his own services, and selling them. This process is constantly levelling down inequalities in capitalization as between different commodities and markets. All men together are helping to evaluate all of the economic goods in the community. Within this larger circle of explanation, the part of the enterpriser is secondary and intermediate. He does not represent any additional "technical productivity" cause, coming in alongside of the psychological explanation of interest. The chance of income for himself exists before he makes a move, partly because the future incomes have already been discounted (the pure capital-income aspect), and partly because all agents are not discounted at any moment at exactly the same, or exactly the right, rate (the commercial profit aspect). It is because of the chance of private profit already inherent in the situation that the producer is led to act in his intermediary capacity.

VII. *The same difficulties again.*

The article by Professor H. G. Brown,⁶⁰ a former pupil and present colleague of Fisher, appeared almost simultaneously with Fisher's concessions to the productivity theory. Professor Brown, agreeing almost completely with Seager, formulates an eclectic theory.

The position taken by the present writer is, that productivity and impatience are coördinate determinants, *i.e.*, that productivity is as direct a determinant of interest as is impatience, and that productivity may be, in a modern community, the more important determinant.⁶¹

⁶⁰ Cited above, p. 68.

⁶¹ *Quarterly Journal of Economics*, Aug., 1913, p. 634. Here impatience and productivity are said to be coördinate determinants, though productivity may be the more important; and again, page 645, impatience is said "to enter into the chain of cause and effect" in a certain connection "as effect rather

At every point where Professor Fisher is at his best, and rejects productivity "as a direct acting cause," Professor Brown disagrees with him, and accepts productivity. Yet the article is marked by a number of just observations and seems at one point to touch upon the truth of the capitalization theory.⁶²

We may say that a person's valuation of capital, along with the valuations of other persons in like situation, is less the direct result of the previously existing market rate of interest, than it is, by affecting his and their attitude towards the market, a determinant of the rate of interest.

But the argument on the whole is on the plane of that conception of productivity criticised above. Every feature of the old argument is reproduced. The explanation is hardly begun until the productivity is assumed to be a five per cent, a ten per cent, or a twenty per cent productivity. Per cent of what? Of the capital valuation, or the prices at which the borrower can buy the agents. Productivity in what way? In that the present prices, being the discounted value of the incomes that are expected, emerge at their maturing value as time elapses. The discount-rate involved in the capitalization is the "rate of productivity" which appears again and again in the argument. The borrower pays contract interest of five per cent only when he thinks he sees the opportunity to get this increment and something more for his trouble. Simple and true as an explanation of why men borrow at a rate of contract interest related to the prevailing rate of time-discount, but no proof whatever that the rate of interest is due to technical productivity.

Here, as always, the productivity theorist looks at the proximate influence, not at that one step removed; examines the middleman's motive, and ignores the ultimate consumer. The productive borrower is but the intermediary, transmitting to the market of consumers through the agency of prices, the effects of time-preference. Forgetting the motives and influences of the really determining group of minds, Professor Brown looks only at the "productive" borrower and says: "In what possible sense can it be said that he borrows only because he is impatient?"⁶³ "All question of im-

than cause"; and, finally, page 650, impatience "is also, to some extent, a joint consequence, with interest, of the other cause, the superiority of indirect production."

⁶² *Quarterly Journal of Economics*, Aug., 1913, p. 644.

⁶³ *Idem*, p. 638.

patience aside";⁶⁴ "For even those [productive borrowers] who are not by nature impatient" etc.⁶⁵ Professor Brown shows well⁶⁶ the inaptness of the word "impatience," but his argument is futile as a refutation of a true psychological theory, for he is quite overlooking the substance, while he chases the shadow, of time-preference.

This motive to borrow exists as well when the agent to be bought with borrowed money is land, as when it is another agent. But just here⁶⁷ Professor Brown withdraws to the citadel, the cost-of-production of capital, as that which tends "to fix the rate of interest and of discount." He reaffirms the

importance of the distinction which Professor Seager has recently emphasized, between land and made capital, between original natural resources and "the produced means to further production." Land is already present. For the most part, there is no balancing of choice as to whether or not we shall produce it.

What is the force of "already present"? Does "for the most part there is no balancing of choice" etc., mean that the way we use land has not affected its quantity in the past, and does not affect it for the future, either as acres or as productive power? In this day of the conservation and reclamation movements, are we to forget the part of repairs and depreciation, and assume the immutability of acres, arable and other kinds? Is there not involved in any standard of husbandry where soil-fertility is maintained, an adjustment of the cost-of-production and of the capitalization of each arable acre to its price based on its expected return quite as this is done in the case of factories?⁶⁸

It is not for us here to discuss further the older conception of capital here involved. We had supposed that it had become unthinkable in the atmosphere of Columbia and of Yale, under the influences of J. B. Clark and of Irving Fisher.

VIII. Summary.

Surely we are making some progress in formulating more clearly the issues involved in the interest problem. The opinions we have reviewed face in at least three different directions, not squarely

⁶⁴ *Quarterly Journal of Economics*, Aug., 1913, p. 639.

⁶⁵ *Idem*, p. 640.

⁶⁶ *Idem*, p. 637.

⁶⁷ *Idem*, p. 644.

⁶⁸ Professor V. G. Simkhovitch's illuminating article on "Hay and History," in the *Political Science Quarterly*, Sept., 1913, gives new evidence of the effect

opposing each other.⁶⁹ Seager and Brown stand together on one side of the circle of opinion, glancing now and then with one eye at a psychological explanation (for consumption loans) and with the other eye fixed most of the time on the enterpriser-productivity explanation. They are not far away from Böhm-Bawerk, who is likewise eclectic; but their conception of productivity goes little farther than the personal enterpriser, whereas Böhm-Bawerk seeks, though vainly, in his roundabout theory, to extend his explanation formally to the impersonal productive powers in the agents. Nearly opposite them stands Fisher, directing his attention mainly upon the market for money loans, but giving many glances before and after to the psychological causes, in accord with the capitalization theory. The capitalization theorist at another point in the circle is faced directly toward the psychological explanation of interest, and sees the other features of the picture in due perspective to this central fact.

Seen from any of these standpoints, the interest paid on *consumption* loans is and must be explained in purely psychological terms. The capitalization theory, alone, is not eclectic, and explains interest on consumption and on production loans, in the same psychological terms. It alone sees the enterpriser's part embraced within the larger circle of time-preference, and explains interest on productive loans as but the reflection of the time-preference in the minds of the great body of buyers in the community, whose representatives and intermediaries the enterprisers are.

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upon agricultural industry of enlarging man's power over the production of fertile and arable qualities in land.

⁶⁹ A different conception, apparently a unique variation of the enterpriser-productivity theory, is the dynamic theory of Professor Schumpeter, as presented in his *Theorie der Wirtschaftlichen Entwicklung*, 1912, and reviewed at length by Böhm-Bawerk in the *Zeitschrift für Volkswirtschaft*, 1913.

SOME ASPECTS OF THE IMMIGRATION PROBLEM

Bolingbroke's famous statement that "history is philosophy teaching by example," is particularly applicable to the American immigration problem, for it is only in the light of our own history that we can attempt to solve a question involving so many diverse, complicated, and elsewhere unprecedented, factors. President Cleveland, in his famous veto message of the immigration bill of 1897, ably gave expression to this idea in pointing out that "a contemplation of the grand results" of our immigration policy precludes our regarding it "as an original proposition and viewed as an experiment," merely. Substantially all the arguments advanced against our present policy of *regulating* immigration, as distinguished from the new schemes to *restrict* it, are based upon unwarranted and commonly sweeping assumptions, or an imperfect reading of our history and of the history of the agencies for the Americanization and assimilation of the immigrants. Few students of the immigration question have studied the general subject and its factors historically with any degree of thoroughness. The exponents of restriction have frequently been either politicians and advocates appealing to or swayed by popular prejudices, or economists with only slight familiarity with this branch of our national history, and still less familiar with the development and extent of our present-day Americanizing agencies, or with the history of the "new" immigrant races in our midst, whom they distrust. Nor is this strange, in view of the fact, pointed out by Professor Callender in an article on "The Position of American Economic History,"¹ that even our trained historians have greatly neglected such fields in our economic and social history in general—an observation particularly applicable to the innumerable agencies scattered throughout our country, which are working for the welfare of the immigrant, and which have developed since 1881, the date commonly assigned as marking the beginning of our present era of new immigration from southern and eastern Europe. Dogmatic reiteration gives the semblance of proof; and it is remarkable how many erroneous or unproven statements are current in this field.

The national Immigration Commission conducted substantially all its investigations in terms of race, and adopted as its ultimate conclusion or assumption the view (unproven by its own investigations) that the new immigration, unlike the old, requires re-

¹ *American Historical Review*, October, 1913, p. 80.

striction and not merely regulation. There was very little historical investigation made by the commission; there were no public hearings for discussion of remedies by experts; and no effort was made to study the economic and social conditions which the "old" immigrant encountered, and substantially none to study the innumerable present-day Americanizing agencies, comparing them with the scanty ones of the former period and weighing the effects of their relative potency and success. The old immigrant, because more closely related to us in point of race-stock and language, is assumed to have been rapidly and readily assimilated and to have created high American standards of wages and living, while greater differences of race and language are assumed to lead to the opposite result as to the new immigrants. In this way, the conditions attending the arrival of the old immigrant (almost absolutely the same as the new immigrant now encounters) are conveniently ignored, or sunk in a mythical Golden Age, now past; and present-day Americanizing agencies are overlooked.

Professor Henry P. Fairchild, in his newly published work on *Immigration*² unlike most other recent restrictionist writers who have commonly followed in the wake of the Immigration Commission, out-heroding Gen. Walker, argues that until our Revolutionary War, we had practically no "immigration" at all, the arrivals being substantially all "colonists" of English or allied stock, Protestant in creed, and therefore homogeneous and English;³ that then our American institutions were established, and the immigrants who have since come over, being of other race or creed, have jeopardized our American institutions, economic, political, and social; and have merely prevented a corresponding or even greater native growth, which, presumably, because of the "superior" English stock, would have accomplished far more than even the old immigration accomplished.⁴

Is it true that the large immigration of our day results in a larger percentage of increase of foreign-born in our country than heretofore? The Immigration Commission shows that the decade of 1850 to 1860 was marked by an increase of 84.4 per cent foreign-born, the largest in our history, while from 1890 to 1900 there was an increase of only 11.8 per cent, the smallest since our census takers began to compile such returns, in 1850.⁵ Even

² Macmillan, 1913, pp. ix, 455.

³ Henry Pratt Fairchild, *Immigration*, pp. 27 et seq., 51-2.

⁴ *Ibid.*, pp. 163-4, 222 et seq., 341 et seq.

⁵ *Reports of the Immigration Commission*, 1911, vol. I, p. 123.

during the decade 1900 to 1910, the percentage of increase was only about 30.7 per cent as compared with 38.5 per cent for the decade from 1880 to 1890.⁶ Nor has the percentage of foreign-born in our total population varied greatly during recent decades, ranging from 13.2 per cent in 1860 to 14.7 per cent in 1910, and at intermediate decades being 14.4 per cent, 13.3 per cent, 14.7 per cent, and 13.6 per cent.⁷ The ratio of male to female immigrants for the past decade appears appreciably larger than it is in fact, because so many male immigrants who would normally have sent for their families returned to Europe instead, during the panic period of 1907 and thereafter, and were counted once more when they returned unattended in better times; and because the number of domestics immigrating has latterly decreased largely, though concededly a larger number of the new immigrants than of the old come over unaccompanied by their families and are less disposed to send for them promptly.

Professor Fairchild, in support of his thesis that immigration was practically a negligible factor before 1820 during the building of the nation, quotes⁸ Professor Commons that "it is the distinctive fact regarding colonial migration that it was Teutonic in blood and Protestant in religion," and adds:

The English element, then, was sufficiently preëminent to reduce all other elements to its type. As a result of the character of the migration assimilation was easy, quick, and complete. . . . The whole coast, from Nova Scotia to the Spanish possessions in Florida, was one in all essential circumstances. Such, then, was the American people at the time of the Revolution—a physically homogeneous race composed almost wholly of native-born descendants of native-born ancestors, of a decidedly English type . . . upon which all subsequent additions must be regarded as extraneous grafts.

From historical investigations, however, we learn a different story. Bancroft, many years ago, said:⁹ "The United States were severally colonized by men in origin, religious faith, and purposes as varied as their climes." Differences in language, customs, education, and views, on the one hand, and lack of assimilative agencies here, on the other, made the Germans, Swiss,

⁶ *Abstract of Thirteenth Census*, p. 188.

⁷ *Ibid.*, p. 80.

⁸ *Immigration*, p. 51.

⁹ I quote from A. Maurice Low's stimulating work, *The American People—A Study in National Psychology*, vol. 1, p. 275, whose second volume contains particularly interesting chapters entitled "The Influence of Immigration on American Development" and "Manners and the Immigrant."

Swedes, Dutch, and Irish immigrants coming over before 1881 no whit less easy to assimilate than are the new immigrants in our own day: and the extent and degree of these differences and difficulties were emphasized again and again, about sixty years ago, by Know-nothings and their predecessors, in substantially the same terms used by the restrictionists, in our own day. In the former period the "Teutonic stock theory" was not available as a test of desirability of immigrants, because members of this great stock were then being abused by the provincialists, but to-day, consistency presumably requires that the Irish be placed in the Teutonic class.¹⁰

It has been well pointed out that, despite specious attempted distinctions between immigrants and colonists, we are all immigrants or descendants of immigrants here, all except the American Indian. Edward Everett, in a classic lecture on "The Discovery and Colonization of America and Immigration to the United States," delivered in 1853, sums up our entire history as an achievement of immigrants.

It is true that some sections of our country, notably New England, frowned upon all new arrivals, English or continental, Episcopalian as well as Catholic,¹¹ but most of the colonies and states welcomed the immigrant and realized the advantages likely to be reaped from his coming. This issue has been raised ever since the beginning of our government. Senator Maclay of Pennsylvania, in describing the debates on the naturalization bill of 1790 in the United States Senate, amusingly said: "We Pennsylvanians act as if we believed that God made of one blood all the families of the earth; but the eastern people seem to think that he made none but New England folks." James Wilson, in the Constitutional Convention of 1787¹²

cited Pennsylvania as proof of the advantages of encouraging immigration. It was perhaps the youngest (except Georgia) settled on the Atlantic, yet it was at least among the foremost in population and prosperity. He remarked that almost all the general officers of the

¹⁰ See *Industrial Commission Reports*, vol. 15, p. 489 *et seq.*; and *Immigration Commission Reports*, vol. 41, pp. 208-9, 221-5; also Hourwich, *Immigration and Labor* (Putnam, 1912), pp. 61-81.

¹¹ See Proper, *Colonial Immigration Laws*; Fairchild, *Immigration*; Capen, *Historical Development of the Poor Laws of Connecticut*.

¹² *Documentary History of the Constitution*, III, p. 509. Compare James Madison's statement in the same convention: "That part of America which had encouraged them [the foreigners] most, has advanced most rapidly in population, agriculture, and the arts."

Mr. Proper, in his valuable work *Colonial Immigration Laws*, deals with attempted colonial legal regulation of immigration, chiefly in the direction of attempting to exclude convicts (many thousands of whom arrived in the eighteenth century), and paupers, and the physically unfit, and how these efforts were

Pennsylvania line of the late army were foreigners. And no complaint has ever been made against their fidelity or merit. Three of her deputies to the convention (Robert Morris, Mr. Fitzsimmons, and himself) were not natives.

The Declaration of Independence recited, as one of the grievances of the colonies against the king, that "he has endeavored to prevent the population of these States; for that purpose obstructing the Laws of Naturalization of Foreigners; refusing to pass others to encourage their immigration hither," and in August, 1776, Congress adopted a comprehensive committee report to the same effect.

But, to return to the non-English elements of our population at the beginning of our national government and in colonial days, the extent of this immigration and the difficulties of assimilation in that day have both been greatly minimized. We had no really comprehensive study of colonial censuses until Professor F. B. Dexter published his *Estimates of Population in the American Colonies*, in 1887; and no basis for scientific study of race-stocks, until the returns of the first census were published in detail and analyzed in *A Century of Population Growth*, in 1909. As most of our early American historians were New Englanders—and in New England the immigrant was comparatively unknown until very recently—it is natural that they should have underestimated the extent and influence of foreign factors before 1881. Professor William Z. Ripley, however, writing on "Races in the United States,"¹³ understates rather than overstates the facts, when he says, on the authority of Bancroft's *History*¹⁴ that "for the entire thirteen colonies at the time of the Revolution, we have it on good authority that one fifth of the population could not speak English, and that one half at least was not Anglo-Saxon by descent."¹⁵

¹³ *Atlantic Monthly*, December, 1908, p. 745.

¹⁴ Vol. VII, p. 355.

¹⁵ Contrasting this with our present-day condition, we find that in 1900 only 1,217,280 of all our foreign-born residents over 10 years of age, or 12.2 per cent, could not speak English, which percentage had decreased from 15.6 per cent for 1890 (*Imm. Comm. Reports*, I, p. 160). This gives just about the same percentage now unable to speak English as at the time of the Revolution! The Census Bureau, solely on the basis of family names, estimated in *A Century of Population Growth* (pp. 116-121) that 82.1 per cent of our population in 1790 was of English stock, 7 per cent Scotch, 1.9 per cent Irish, 2.5 per cent Dutch, 0.6 per cent French, 5.6 per cent German, and 0.3 per cent "all others" (including, on the basis of the states for which we have actual returns, 1/20 of 1 per cent Hebrews). Professor A. B. Faust in his *German Element in*

In colonial days the heaviest race-stream was made up of the German immigrants. William Penn invited them to settle in Pennsylvania immediately after that territory was granted to him,

deals with attempted colonial legal regulation of immigration, chiefly in the direction of attempting to exclude convicts (many thousands of whom arrived in the eighteenth century), and paupers, and the physically unfit, and how these efforts were largely thwarted by the Crown's veto power, as also by the British policy of discouraging immigration, shortly before the Revolution. Valuable historical legal material from England's point of view, supplementing this study, is to be found in William F. Craies' interesting article, "Compulsion of Subjects to Leave the Realm."¹⁶ Mr. Proper mentions, but does not consider in detail, the different nationalities included in our colonial immigration; calls attention to the fact (p. 70) that the Carolinas and Georgia "at the outbreak of the Revolution, had a greater number of foreign-born inhabitants than any other three of the colonies"; and concludes that (p. 84) "much that is best and noblest in America is a monument to the superior mental and physical constitution, the vigor and deep religious faith of the foreign immigrants" of colonial times.

As above noticed, the Irish figured as a considerable factor in our population even before 1790. Burke in his *European Settlements in America* refers to the large number of Irish settling in 1750-1754 in Virginia, Maryland, and the Carolinas; and many thereafter settled in Pennsylvania. The heavy colonial immigration of Irish, French, Spanish, and others, and of English and German Catholics, to say nothing of the sprinkling of Jews, also rebuts Professor Fairchild's assertion that the country at the close of the Revolution was homogeneously Protestant.¹⁷

the United States (I, pp. 280-5) estimates the German stock at the outbreak of the Revolution at 225,000 or a little more than one tenth of the total white population, and with the aid of Professor Walter F. Willcox estimated our German population in 1790 (II, pp. 5-27), also on the basis of family names, at 375,000, say 360,000, and of the Dutch at 240,000, or a total of 600,000, as compared with an estimate by the distinguished German statistician, Professor Boeckh, of 800,000, or about 19 per cent of the total white population. Professor Faust calls attention to the inadequacy of a name test, even when made by an expert (II, p. 13), which results in disregarding many Anglicized names, such as Carpenter, Smith, Miller, etc. Moreover, only names occurring 100 times or more were included by the Census Bureau expert, and this leads to necessary omission of many names.

¹⁶ *Law Quarterly Review*, vol. 6, pp. 388-409.

¹⁷ See Gen. Walker's article, "Growth and Distribution of Population," in Harper and Brothers' *First Century of the Republic*; also Emmet, "Irish Immigration during the Seventeenth and Eighteenth Centuries," in *Journal*

Fürstenwärther²³ to have been true as late as 1818. The German immigration to Pennsylvania was so great, as early as 1718, that fears were at first entertained that Pennsylvania would cease to be a British province, and the governor was compelled to veto a bill forbidding further immigration into Pennsylvania, "because of

In colonial days the heaviest race-stream was made up of the German immigrants. William Penn invited them to settle in Pennsylvania immediately after that territory was granted to him, and they became an important element in the population from the founding of Germantown in 1683, becoming very numerous after the Palatine persecutions early in the eighteenth century. Benjamin Rush wrote in 1789 a valuable and unbiased account¹⁸ of the German population before our first census. He quotes¹⁹ Governor Thomas of Pennsylvania as saying in 1747 that the Germans of Pennsylvania were three fifths of the whole population (of 200,000) and that "they have, by their industry, been the principal instruments of raising the state to its present flourishing condition, beyond any of his Majesty's colonies in North America"—and nearly all came over as redemptioners or indentured servants. As early as 1790, five sixths of East Pennsylvania was German.²⁰ Rush himself emphasizes their enormous value in developing agriculture throughout the colonies. Professor Geiser has correctly observed²¹ that from 1728 to the end of the century "the history of immigration is practically that of servants (indentured or redemptioners) under various conditions," a statement confirmed by Kapp,²² and it is shown by von

of the *American Irish Historical Society*, vol. II; O'Meagher, "Irish Immigration to the United States since 1790," *idem*, vol. IV; Byrne, *Irish Emigration to the United States*; *Catholic Encyclopedia*, article on "Migration" and bibliography and related articles; Callender, *Selections from the Economic History of the United States*; series on foreign elements in American history by Goebel, Colenbrander, Putnam, and Shepherd, in *Report of the American Historical Association* for 1909; series by Casson, in *Munsey's Magazine*, vols. 34, 35, on different elements in American history; Commons, *Races and Immigrants in America*; Schurz, "True Americanism," in *Speeches, Correspondence and Political Papers*; Fosdick, *French Blood in America*; Flom, *Norwegian Immigration into the United States*; Learned, *The Early Immigration and the Immigration Question of Today* (Pa-German Soc. Pubs., XII); Grace Abbott, "Bulgarians of Chicago," *Charities*, vol. 21, p. 653; also her article on "Immigration," in *The Survey*, Jan. 7, 1911, as well as article on "Immigrants in Cities," by E. A. Goldenweiser, in same issue; also Bushee, *Ethnic Factors in the Population of Boston*.

¹⁸ *Account of the Manners of the German Inhabitants of Pennsylvania*, edited by I. D. Rupp.

¹⁹ *Ibid.*, p. 5.

²⁰ *Ibid.*, p. 13, note.

²¹ *Redemptioners and Indentured Servants in the Colony and Commonwealth of Pennsylvania*, pp. 25, 41.

²² *Immigration and the Commissioners of Emigration of the State of New York* (1870), p. 9.

Our earliest accurate immigration records begin in 1820, under the federal law of 1819, though there is a recent estimate which indicates that 345,000 aliens arrived between 1776

immigration to Pennsylvania was so great, as early as 1718, that fears were at first entertained that Pennsylvania would cease to be a British province, and the governor was compelled to veto a bill forbidding further immigration into Pennsylvania, "because of its cruelty."²⁴

In general, though almost everything stood in the way of assimilation, these German immigrants were promptly assimilated. In exceptional cases, however, like that of the "Pennsylvania Dutch," they remain alien, even after one hundred and fifty years down to our own day. Franklin observed in 1759 that "the labor of the plantations is performed chiefly by indentured servants, brought from Great Britain, Ireland, and Germany; because of the high price it bears, it cannot be performed any other way." And it is to specialized studies of the system of indentured servants or redemptioners in the colonies that we must turn for knowledge of the position of the early immigrants in general.²⁵

It is difficult to conceive of any system less calculated to promote assimilation than this "indentured servant" system in colonial days, under which non-English-speaking individuals and families were brought over to be sold into a form of slavery for a term of years to pay their passage money; who came in quantities not limited by any demand, so that prices were arbitrarily high or low; who were not permitted to return, because the only possible profit in the venture arose from keeping them here; and who were often obliged as a condition of emigrating to renounce the right to return to their native homes; whose time was not their own during the years of their involuntary servitude, so that even the primitive schooling then possible was practically denied them; and who were politically, economically, and socially segregated from their masters. Truly, the historical student cannot agree that the colonists were "a homogeneous lot of Englishmen and Protestants"; and it is part of our miraculous history that agencies then brought into action (and which are today more, not less, potent) have resulted in our quick and healthy absorption of the immigrant.

²⁴ *Der Deutsche in Nord Amerika*, outlining the author's mission to America for the sole purpose of studying immigration conditions of that day.

²⁵ S. H. Cobb, *The Palatine or German Immigration to New York and Pennsylvania*, p. 30.

²⁶ See Geiser, *op cit.*; Faust, *op cit.*; Ballagh, *White Servitude in the Colony of Virginia*; and Byrd, "Slavery and Indentured Servants," in the *American Historical Review*, vol. I. p. 88.

and ruffian in Philadelphia" and the "tumultuous haranguer and street-fighter of New York." He adds:

Many a German is amazed and grieved at the great moral contrast between multitudes of immigrants and the quiet citizens of his ancient

Our earliest accurate immigration records begin in 1820, under the federal law of 1819, though there is a recent estimate which indicates that 345,000 aliens arrived between 1776 and 1820, an estimate none too high, when we consider the unrest caused by the reactionary conditions following the downfall of Napoleon, and European famines of this period, as well as systematic stimulation of immigration to the new land of freedom and political and economic equality. The act of 1819 also sounded the deathknell of the redemptioner system, as its provisions for decent treatment and adequate space aboard ship rendered the old methods hazardous and unprofitable.

II

The period from 1820 to 1881 was marked by a continuance of the same stream of immigrants that had characterized the earlier period, except that the numbers became somewhat greater, by reason of financial depression abroad, famines, and occasional political and religious unrest, on the one hand, and superior industrial and political opportunity here, on the other. Kapp, writing as far back as 1870, well said that "the territory which constitutes the present United States owes its wonderful development mainly to the influx of the poor and outcast of Europe;"²⁶ and he noted a fact which could be fully recognized only since we began to collate accurate statistics of emigration from the United States in 1907—that "bad times in Europe regularly increase, and bad times in America invariably decrease, immigration."²⁷ The figures he presents as to the illiteracy of the immigrants of 1868, made up almost wholly of German, Swiss, Irish, Scotch, and English,²⁸ are interesting as being substantially the same as prevail today; 7,397 immigrants for whom positions were secured, out of 31,143, could neither read nor write, there being 3,096 illiterate males out of 18,114, and 4,301 females out of 13,029. There were 2,714 Irish, Scotch, and English illiterates out of 9,269; and out of 23,315 Irish, Scotch, and English female servants 7,682 could neither read nor write.

In J. B. Angell's review of the books of the German traveler Löher, dealing with his German-American compatriots of the middle of the nineteenth century,²⁹ we read of the German "brawler

²⁶*Immigration and the Commissioners of Emigration of the State of New York*, p. 5.

²⁷*Ibid.*, p. 17.

²⁸*Ibid.*, pp. 116-117.

²⁹*North American Review*, vol. 82 (Jan., 1856), pp. 248-265.

	1820-1912	Since 1881
Netherlands	190,954	143,746
France	487,504	171,262
Switzerland	244,364	155,052

street-fighter of New York." He adds:

Many a German is amazed and grieved at the great moral contrast between multitudes of immigrants and the quiet citizens of his ancient home. The cause is apparent. The tares are suffered to grow with the wheat. No hundred-handed police repress every budding vice. Even the reaction which is natural after escape from governmental oppression is not at all checked.

The large number of inmates of German jails and workhouses aroused special comment.

Conditions among the Irish here at that time were, of course, far worse, in view of the Irish potato-famine, general Irish economic distress and conditions of living, lack of school facilities, and governmental neglect.³⁰

The Immigration Commission and numerous restrictionists endeavor to show that persecution, which drove so many people here in the past, is no longer an important factor; but the truth is that during the nineteenth century this factor was practically negligible as compared with the persecutions driving the Jews, Finns, Poles, and Armenians over in our day.³¹ Throughout our national history, superior economic opportunity has been the chief inducement of immigration.

During the period from 1821 to 1881 over 10,000,000 immigrants came to this country, and in the period from 1881 through 1910 over 17,000,000 more, these figures making no allowance for returning immigrants or immigrants coming again. The average of 13,802 per year for the decade 1820 to 1830 rose to 59,913 per year for the following decade, and to 171,235 per year between 1841 and 1850, 259,524 per year the next decade, then fell to 231,482 to rise again in successive decades to 281,219, 524,661, 368,756, and to 879,539 per year for the last decade. In 1842 the hundred-thousand mark was passed, and in 1905 the million mark.³² The reports of the Commissioner General of Immigration show that from 1820 to 1912 the various countries sent us immigrants in the following numbers:³³

³⁰ Compare Walker, *Discussions in Economics and Statistics* (edited by D. R. Dewey), vol. II, p. 472.

³¹ The reader who seeks an interesting historical analysis of the motives of nineteenth century immigration may find much light in a paper by Thomas W. Page on "Causes of Earlier European Immigration to the United States" in *Journal of Political Economy*, vol. 19, pp. 677, 685 *et seq.*

³² Vol. 3 *Reports Imm. Comm.*, pp. 4, 5.

³³ For figures of 1912, see *Report*, p. 80.

the unhappy fugitives from distress that hospitality which the savages of the wilderness extended to our forefathers arriving in this land? Shall oppressed humanity find no asylum on this globe?" Time and again, this policy was reaffirmed in Congress, in the press, and in national party platforms; our ministers

	1820-1912	Since 1881
Netherlands	190,954	143,746
France	487,504	171,262
Switzerland	244,364	155,052
Scandinavia	2,014,245	1,603,178
Italy	3,426,377	3,345,096
Germany	5,411,444	2,359,169
Great Britain and Ireland	7,951,671	3,410,049
Austria	3,510,379 ¹	3,429,634
Russia	2,712,316	2,704,815
Other countries	3,661,000	

¹ Since 1861.

These figures show that although the countries of northern and western Europe no longer furnish the same percentage of immigrants as before 1881, they continue sending appreciable numbers; and, on the other hand, they indicate that the countries of southern and eastern Europe had sent us some immigrants long before 1881. They reflect also the great economic development of the countries of western and northern Europe, which accounts for decrease of immigration from there, and the economic backwardness and religious and political persecution of the southern and eastern countries.

This is not the place to enlarge on the invaluable services rendered by the immigrants to this country from 1820 to 1881; neglected as the subject is, no candid student can deny that to them we owe much of our great development and prosperity, and that their patriotism has always been at our command.³⁴ Nor should we be misled by the occasional former criticism of the "old" immigrant, and the dangers that beset our country in the past; the sober sense of the country always welcomed the immigrant, and recognized his value. Particularly outspoken on this point have been such great statesmen as Washington, Jefferson, Madison, Lincoln, and Cleveland, despite efforts of restrictionists to unearth an occasional passage indicating that one or more of these leaders realized that possible dangers also beset us from the immigrant. The anti-French feeling of John Adams' administration led to the passage of our Alien and Sedition laws, it is true, but that very issue drove the Federalists out of power for decades; and the Republican platform of 1800 foreshadowed Jefferson's famous presidential message of 1801, which laid down our established national policy in the rhetorical question: "Shall we refuse

³⁴ See particularly Coman, *Industrial History of the United States*; Kapp, *Immigration and the Commissioners of Emigration*; Low, *American People*; Bryce, *American Commonwealth*; Faust, *German Element*.

The percentage of illiteracy in each group was as follows:

South Italians	53.9	Bohemians and Moravians	1.7
Hebrews	26	English	1.
Polish	35.4	French	6.3
Lithuanians	48.2		

the unhappy fugitives from distress that hospitality which the savages of the wilderness extended to our forefathers arriving in this land? Shall oppressed humanity find no asylum on this globe?" Time and again, this policy was reaffirmed in Congress, in the press, and in national party platforms; our ministers abroad were even instructed to seek to remove obstacles to emigration³⁵ and President Lincoln induced the passage of a bill to encourage immigration and to furnish free transportation into the interior. The incident of the Know-nothing movement was due chiefly to religious prejudice, and soon passed away. The *History of Immigration Investigation and Legislation*, prepared by the Senate Committee on Immigration, dated February 22, 1893, correctly states (p. x) that "from the foundation of the government until about the time of the passage of the national statute of 1882 the prevalent sentiment seemed to be the encouragement of immigration." The Chinese exclusion agitation in the seventies first led to the organization of labor-union sentiment against admission of the Chinese; and subsequently to the present-day agitation for restriction of all immigration.

The argument that immigration has decreased the native American birth-rate and precluded an increment of native population as great or even greater, scarcely merits serious consideration; much less does the extraordinary assumption that the possible increment thus displaced would have accomplished more for us than did the immigrant increment.³⁶ The Census Bureau, in its work *A Century of Population Growth* (pp. 85-9), concludes that in 1900 immigration contributed thirty million souls to our population and forty billion dollars to our wealth.

III

Of the immigrants of the period 1899-1910, 26.7 per cent of those fourteen years old or over could not read or write (35.8 per cent of the new immigrants and 2.7 per cent of the old).

³⁵ *Niles' Register*, vol. 65, p. 265.

³⁶ Dr. Hourwich satisfactorily disposes of this argument in his work *Immigration and Labor*, pp. 221-7, by showing that the decrease of the birth-rate is a universal phenomenon today, and is particularly marked even in Australia, where there has been practically no immigration latterly; Gen. Walker seems first to have formulated the theory (*Discussions in Economics and Statistics* II, pp. 417 *et seq.*, 437), but, aside from the fact that the world-wide character of this decrease was not then recognized, Gen. Walker had himself previously scientifically explained the decreasing birth-rate quite differently (*Id.* II, p. 29 *et seq.*, especially pp. 42-3, 44, 195, 204; also his essay in *The First Century of the Republic*, pp. 235-6).

The percentage of illiteracy in each group was as follows:

South Italians	53.9	Bohemians and Moravians	1.7
Hebrews	26	English	1
Polish	35.4	French	6.3
Lithuanians	48.9	Germans	5.2
Croatian and Slovenians	36.1	North Italians	11.5
Greeks	26.4	Irish	2.6
Russian	38.4	Welsh	34.9

The government figures for the fiscal year 1912 show that 63 per cent of the immigrants for that year were males, and that 21 per cent of the males over 14 years old were illiterate, and nearly 25 per cent of the females. The Immigration Commission, in its report on "Emigration Conditions Abroad" shows, however, that the percentage of literacy among the immigrants from southern and eastern Europe is very much higher, in general, than that for those foreign countries at large, indicating that we still get the more intelligent and enterprising of such races. Even in these countries, people are now reasonably familiar in practice with the exercise of the suffrage and representative government.

It is time that we turned to authorities who are familiar with the new immigrants in our midst, their past experiences here, and the agencies open to Americanize them, for light on this problem. Immigrants from nearly all of the various races from southern and eastern Europe have been settled here for many years, and we learn almost uniformly that there has been little difficulty in Americanizing and assimilating them. For example, *The Italian in America*, by Lord Trenor and Barrows reminds us how much we owe to the Italians from Columbus down to our own day. Italian settlement throughout the nineteenth century, especially in agriculture, only awaits a competent chronicler to show that it does not indicate difficulty of Americanization. Professor Balch, in her excellent work *Our Slavic Fellow Citizens*, outlines many decades of worthy citizenship on the part of Poles and Bohemians in America, running back to valuable services during our Revolutionary War. The same is true of the Jews in America, and of other races included among the new immigrants, all of which refutes the unwarranted assumptions of the restrictionists. The investigations of the Immigration Commission, especially with respect to our school rolls, also bear this out.

Disinterested social workers who have devoted their lives to studying these new immigrants find that they are being rapidly absorbed, and are valuable increments to our population. It is time that we heeded the observations of capable students at close range, such as has been furnished to us in valuable studies by

Jane Addams, Lillian D. Wald, Peter Roberts, Emily Balch, Grace Abbott, Edward A. Steiner, and others.

Moreover, we are apt to overlook the fact that over 80 per cent of the immigrants of 1912 reported that they were joining relatives here, and nearly 14 per cent more reported that they were going to friends, so that this most important agency for Americanization and aid in new and untried surroundings was open for all but 8 per cent of the immigrants in question. It is this important factor that accounts for the wonderful success of the immigrants, landing here almost wholly without funds and unfamiliar with our language, of whom a purely negligible quantity only became public charges. It is this factor, together with other agencies presently to be considered, which accounts for the remarkable fact that the United Hebrew Charities of New York, for instance, have only about half as many applications for assistance today as they had about fifteen years ago, when the Jewish population and the Jewish immigration was much less than half as large! We are also entirely too prone to forget the lessons of the census, pointed out for us by Professor Walter F. Willcox for the Twelfth Census, and reapplied by him to the Thirteenth,³⁷ that the natural distribution of immigrants is much wider and more thorough than appears from their originally reported destinations. Nor should we forget that it is the illiterate immigrant, victim of inferior conditions in his own country, upon whom we depend to do work which the more literate laborer will not perform—working our farms, digging our subways, excavating our lots, and operating our mines.

For example, the 1,197,892 immigrant aliens who came over here in the fiscal year 1913 included 333,285 farmers and farm laborers (exclusive of their wives and minor children entered as having no occupation), whom we particularly need here, and who would be most likely to be debarred by an educational test. Professor Balch pointed out before the American Economic Association, in 1911, that "most Americans have an entirely false conception of the real significance of peasant illiteracy, which need not connote a lack of either energy or intelligence." The census reports indicate that the literacy among native white children of foreign-born is appreciably higher than among native white children of native-born.³⁸

³⁷*Quarterly Journal of Economics*, vol. 20, p. 523; and *Papers Twenty-fourth Meeting of the American Economic Association*, p. 66 et seq.

³⁸*Abstract Thirteenth Census*, p. 239.

When we turn, however, to a study of the genesis and potency of the agencies provided for the assimilation of the immigrant, his Americanization and improvement, we notice that nearly all have been developed during the past few decades, and were unavailable to the old immigrant. Even educational facilities for the immigrant were formerly most elementary and inadequate, while we have today night schools with special immigrant classes, social settlements and educational alliances, industrial, trade and vocational schools, instruction in civics, improved foreign newspapers, and public lectures in foreign language. Labor unions and other associations promote high wages and high standards of living. These have gone up steadily, and not down. Tenement-house reform and increased railroad transit have improved housing conditions, particularly in our large cities, to a degree undreamed of in the days of the Gilder commission.

Federal and state bureaus of information for immigrants and resident laborers, employment bureaus, immigrant aid societies, immigrant service of the Young Men's Christian Association and of other church organizations, and such organizations as the Italian Immigrant Bureau, the Industrial Removal Office, the Hebrew Agricultural and Industrial Aid Society, the Hebrew Sheltering and Immigrant Aid Society, the Baron de Hirsch Fund, and other similar organizations throughout the land, do effective work in Americanizing the immigrant, finding employment for him at good wages, overcoming tendencies towards congestion, effecting distribution, and promoting acquisition of American standards of living and thinking.³⁰ Of course, such agencies deserve and require unlimited extension and development; and in a number of our states, regulative legislation is badly needed, especially as applying to mining and labor camps.

³⁰ One must turn to innumerable scattered, individual reports to get an idea of the number and extent of these agencies and their achievements, for no historical and descriptive account of any individual branch even of these many activities has, to my knowledge, been thus far published. See particularly vol. 41 of *Reports of Immigration Commission*; "Distribution of Admitted Aliens and other Residents"; *Proceedings of the Conference of State Immigration, Land and Labor Officials with Representatives of the Division of Information Bureau of Immigration*, Nov. 1911; *Report of the Commission of Immigration of the State of New York, 1909*; *The First Century of the Republic* (Harper's, 1876); Robert's *The New Immigration*; Jane Addams, *Twenty-Years of Hull House*; Griffin, *A List of Books on Immigration*; Carroll D. Wright, "Influence of Trade Unions on Immigrants," in *Bulletin of Bureau of Labor*, January, 1905, and chapter on this subject in Wiernik's *The Jews in America*, pp. 297-300; as also Hourwich, *Immigration and Labor*, pp. 325-52.

In the light of these agencies the unbiased student cannot but conclude that the assimilative process today, even among the newer races in question, is far more potent than it was in the old immigration. Mr. Bryce, in the new edition of his *American Commonwealth* sums up the philosophy of this process:⁴⁰

The point in which the present case of race fusion most differs from all preceding cases, is in the immense assimilative potency of the environment. . . . The effigy and device, so to speak, which the American die impresses on every kind of metal placed beneath the stamp, is sharp and clear. The schools, the newspapers, the political institutions, the methods of business, the social usages, the general spirit in which things are done, all grasp and mould and remake a newcomer from the first day of his arrival, and turn out an American far more quickly and more completely than the like influences transform a stranger into a citizen in any other country. These things strengthen the assimilative force of American civilization, because here the ties that held the stranger to the land of his birth are quickly broken and soon forgotten. His transformation is all the swifter and more thorough because it is a willing transformation.

William D. Howells has said:⁴¹ "I believe we have been the better, we have really been the more American, for each successive assimilation in the past, and I believe we shall be the better, the more American, for that which seems the next in order." Mr. Bryce also suggests⁴² that nearly all "the instreaming races are equal in intelligence to the present inhabitants"; that a blending of races tends to stimulate intellectual fertility; and that the Jews, Poles, and Italians are likely to "carry the creative power of the country to a higher level of production" than it has yet reached. He also notes that "today, most of the hard, rough toil of the country is everywhere done by recent inhabitants from central or southern Europe. The Irish and the urban part of the German population have risen in the scale, and no longer form the bottom stratum." As to attempted comparative valuations of races, we should not forget Professor Royce's scathing analysis of the phenomenon in his *Race Questions and Provincialism and Other American Problems*. It is in initiating and developing salutary public and private agencies for distributing and Americanizing aliens, that a true solution of the immigration problem can be found.

MAX J. KOHLER.

⁴⁰ Vol. II, p. 488.

⁴¹ *Harper's Weekly*, April 10, 1909, p. 28.

⁴² *Op. cit.*, vol. II, p. 482.

REVIEWS AND NEW BOOKS

General Works, Theory and Its History

Principles of Economics. Being a Revision of Introduction to Economics. By HENRY ROGERS SEAGER. (New York: Henry Holt and Company. 1913. Pp. xx, 650. \$2.25.)

Though a number of the chapters remain practically as they were in *Introduction to Economics*, first published in 1904, this is in many respects a new work. The portions which deal with practical economic problems like the tariff, trusts and monopolies, taxation, labor problems and legislation, social insurance, and socialism, have been amplified and brought down to date. There is discussion of not only the latest enactments but of the most important proposed legislative measures and reforms. Moreover, throughout the work, which was always rich in illustrative material, may be found the latest statistical information.

In the new chapters on Reform of the Tax System of the United States, Profit Sharing and Labor Copartnership, Social Insurance, and Socialism, as in descriptive chapters which have appeared in former editions, the author does not content himself with mere description and statement of fact. He not only puts the facts in their proper historical and theoretical setting, but he bases conclusions and judgments upon them. He has opinions, and does not hesitate to express them.

Quite as important are the changes which have been made in the theoretical portions. The first of these has to do with value. A chapter of 26 pages on Value and Price has become two chapters which cover 43 pages. Opinions will differ as to the merits of this revision and expansion. I myself note with approval the elimination of the greater part of the Robinson Crusoe illustration which I have always found confusing rather than helpful in presenting the subject to a class of students. I do not, however, regard the increased prominence given to the distinction between value in use and value in exchange as either desirable or necessary. The distinction between utility and value in use is so metaphysical in character as to confuse rather than to clarify the subject for the ordinary student. While it is evidently true that back of the process of social evaluation, which is the significant thing in economics and which is really value in exchange, there is a process of individual valuing or measuring of utilities, this process is too

obscure in its nature and too automatic or unconscious in its exercise to be of any practical advantage in explaining the social process. The natural man, unacquainted with economic literature, does not think in terms of marginal utility; he thinks in terms of total utility.

One other theoretical portion of the book shows a thoroughgoing revision. This is the subject of distribution. Chapter 9 in the original edition is hardly recognizable in chapter 11 of the latest revision, though the title, Production and Distribution, remains the same. The author has not modified his fundamental concepts, but has attempted to explain and illustrate them more fully by means of actual business operations. In so doing he avoids the artificial separation which many writers have made between production and distribution; but it is a question whether pedagogic purposes would not be quite as well served by such a separation of economic functions as they are by the equally artificial assumption of a "state of normal equilibrium" to which the author is obliged to resort in order to simplify his task. Whatever the advantages or disadvantages of the author's method of treatment may be, there is no doubt that he has made a very substantial improvement in the matter of exposition.

What has been said of distribution in general applies as well to the author's discussion of competitive profits, monopoly profits, rents, wages, and interest. He has made a number of changes in method or style of presentation, but holds to the same general thesis, namely, that each factor in production tends to secure a share corresponding to what it itself produces. Strictly speaking, of course, this applies to profits only in so far as they merely equal wages of management. Competitive profits in excess of this amount, due to changes of various sorts, and monopoly profits are not, in this sense, earned, and must therefore be regarded as an indication of the extent to which economic tendencies fall short of attaining their goal in the actual business world.

The new edition is distinctly superior to the earlier editions in completeness and in clearness of exposition. There has been a marked improvement in typography, and the changes and additions have been made without materially increasing the size of the volume.

CARROLL W. DOTEN.

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Materials for the Study of Elementary Economics. Edited by LEON CARROLL MARSHALL, CHESTER WHITNEY WRIGHT, and JAMES ALFRED FIELD. (Chicago: The University of Chicago Press. 1913. Pp. xvii, 927. \$2.75.)

In the last few years discontent has been evident among teachers of economics over at least two matters, namely, the point of view and emphasis prevalent in the subject-matter and the pedagogical methods in use. Widespread interest among American economists in the development of the marginal utility theory and its application to various problems had resulted in undue stress upon marginal theories in textbook and in teaching. While gaining in precision of explanation and scientific statement, economics seemed to be out of touch with the ordinary business of life. Concrete problems were replaced by hypothetical ones of great ingenuity calling for keenness in abstract thinking or in the application of mathematics. The disciplinary value of economic study was undeniable, but the question arose whether equal educational results might not be secured by considering problems that would seem to the student more vital.

On the other hand, the methods used in undergraduate teaching of economics were largely a mere transfer to this field of those forms of instruction with which the college professor had become familiar in his graduate study. Lectures of the German university type, special topics following a long way after the graduate thesis, occasional oral quizzes for detective purposes, were too frequently the pedagogical stock in trade of the college teacher of economics. To a certain extent these conditions were the inevitable result of the inadequacy of teaching force due to the sudden expansion in department enrollment, since the contemporary interest in social problems brought many students to the class room despite the doctrinaire treatment and the dullness of the class hour.

Some of the more recently published American textbooks and larger treatises, while accepting and incorporating the valuable part of modern theorizing, reveal more balance and proportion in treatment, and a return to reality. Contemporaneously there has been much thought about better methods. Fewer lectures and those of a different type; the use of the "recitation" as a means of cultivating independence of thought rather than as a recital of imparted knowledge; problems in class and for out-of-class solution; extensive reading and intensive thinking—these

have been some of the tendencies. Conferences and symposia in the journals have allowed exchange of teaching experience. The members of the department of political economy of the University of Chicago have been leaders in this movement and two or three years ago published *Outlines of Economics*, aiming at a more inductive method of developing elementary principles. They have now published an extensive collection of materials for use in elementary classes. While the source book in economics is not new, it may be said without much fear of contradiction that the present volume is larger in amount, more extensive in range, and more useful in character, than anything yet printed in English and probably in any language.

From all sorts of sources have been selected "expository and descriptive readings, statutes, judicial decisions, the findings of commissions, news reports, statistical tables, schematic analyses, and a number of maps, charts and diagrams." Out of the 267 selections the reviewer has not found one that might not be useful in class work. Suspicion that some of the extracts might be too difficult for elementary classes is allayed by the compilers' statement that all have been tested in actual class-room experiment. There would be doubt in the minds of some teachers regarding the inclusion in elementary courses of certain topics, but the same doubt would arise about the content of most textbooks. There seem to be a few important topics not illustrated. While there are many selections bearing upon the large corporation charter and system of organization, there is nothing upon the relative advantages of different-sized business units under differing conditions of market and customer. Certainly room might have been found for some of the other brilliant passages setting forth popular fallacies regarding consumption, if Bastiat's fable were deemed too hackneyed. Differences in efficiencies of laborers and more of the social reactions upon individual efficiency could easily have been illustrated; but space had its limitations.

While particularly useful for teachers of economics who are trying more inductive pedagogical methods, the *Materials* are the best available illustrative reading for ordinary lectures or textbook courses. Even the economist who is widely read and of long experience in teaching will find much that is helpful and even fascinating in these selections. The compilers have rendered a great service to the teaching of economics.

HERBERT E. MILLS.

Vassar College.

Kapital und Kapitalzins. Zweite Abteilung: Positive Theorie des Kapitaless. By EUGEN VON BOEHM-BAWERK. Third edition. (Innsbruck: Verband der Wagner'schen Universitäts-Buchhandlung. 1912. Pp. viii, 760. 21 M.)

With the volume under review Professor Böhm-Bawerk has completed the revision of his epoch-making *Kapital und Kapitalzins*. The text of this volume parallels that of Book III in the earlier editions of the *Positive Theorie des Kapitaless* (Books IV-VII in Smart's translation). What we have, therefore, in this new form is Böhm-Bawerk's exposition of the theory of value and price and of the theory of interest. That the author has undertaken the task of revision in no perfunctory spirit is attested by the fact that the 333 pages of the second edition are now expanded to 460 pages of text and 300 pages of excursus. There is scarcely any part of the work in which the exposition has not undergone substantial modification.

A large proportion of the literature on interest during the last two decades has centered in Böhm-Bawerk's theory. It may fairly be said that a primary classification of economic theorists is based upon the acceptance or rejection of Böhm-Bawerk's interest doctrine. His theory of value and price does not present so many strikingly individual traits. None the less, his formulation is in many respects the ripest work of the so-called psychological school of value theorists, and has served more frequently than has any other to illustrate the merits and the defects of the work of this school. Professor Böhm-Bawerk's frequent contributions to the periodical literature of economics has offered sufficient evidence that he has allowed little of the vast volume of criticism to escape him. Accordingly, it is with keen interest that the reader examines this final statement of Böhm-Bawerk's doctrines to ascertain how far the master has found it necessary to modify his original views.

In its essentials the author's system has remained unchanged. At many points the forms of expression have become less dogmatic, but this is frequently through the restoration of the text of the *Grundzügen der Theorie des wirtschaftlichen Güterwerts*, which had been presented in abbreviated form in the first edition of the *Positive Theorie*. In a less talented author the infrequency of substantial modifications might be ascribed to crystallization of thought. The new material in the present work, however,

displays the same logical power and vigor of expression that characterized the author's earlier work. The present volume may therefore be taken as evidence that the *Positive Theorie*, as we first learned to know it, was essentially a closed system. Even so great a mind as that of Böhm-Bawerk has not been able, in twenty years, to deduce new truth from its presuppositions.

Criticism of Böhm-Bawerk's value system has not, indeed, been confined to a questioning of his presuppositions. The logic of his treatment of the relation of value to cost was once violently attacked, and it cannot be said that the assailants have even yet retired from the field. Marshall's doctrine of the reciprocal relation of value and costs has still many adherents; so also has the cost doctrine of Dietzel. In Excursus VIII, on Wert und Kosten, Böhm-Bawerk ably defends his position against the attacks of these writers, and against criticisms of Schumpeter having the same trend. The reader who holds no brief for the English classical school will regard Böhm-Bawerk's logic as conclusive. His imputation theory, also, has been attacked by those who accept the principle that some theory of imputation is absolutely indispensable. Wieser's strictures upon Böhm-Bawerk's method are familiar to all students of economic theory. That Wieser's point was not well taken has been shown by other scholars, but perhaps nowhere more conclusively than in Excursus VII of the present volume, entitled *Theorie der Zurechnung*. The hedonistic terminology of Böhm-Bawerk's value theory has also given occasion to an extensive volume of criticism. To meet this criticism our author attaches to his discussion of value a chapter entitled *Psychologisches Nachwort zur Werttheorie*, in which he shows that psychological hedonism is no part of the assumptions of his theory. "Utility" and "welfare" are to be interpreted broadly enough to cover anything men consider worth striving for.

To an American student of theory, the most interesting part of the present work is the attempt to meet the criticism of Fisher on the relation of productivity, or the "technical superiority of present goods," to the rate of interest. According to Fisher's doctrine, undervaluation of the future, rational or irrational, and differences in the provision for present and future, are alone sufficient to explain the rate of interest; the facts of technical productivity have no bearing here. Böhm-Bawerk admits (Excursus XII) that in the absence of the elements upon which

Fisher bases the interest rate, there could be no interest; but he insists that it is equally true that were the technical superiority of present goods annihilated, interest would disappear. This consideration he regards as sufficient ground for treating the technical superiority of present goods as a cause of interest.

What most students have regarded as of chief significance in Fisher's criticism, and in the similar criticism of Bortkiewicz, is the proof that in every example by which Böhm-Bawerk has sought to exhibit the operation of the technical superiority of present goods, a preference for present goods is tacitly assumed. It is possible, in thought, to derive an interest rate from time preference alone. It is not possible to derive a rate from the technical superiority of present goods alone, if we accept the presuppositions that lie at the basis of the value theories of both Böhm-Bawerk and Fisher. A close examination of the arguments in *Excursus XII* will show that it remains true here, as in the main body of the text, that time preference inevitably slips in to validate the operation of the superiority of present goods.

With the single exception of the treatment of the relation of productivity to the interest rate, the system of Böhm-Bawerk, as here presented, appears to be logically unassailable. Further criticism of it must confine itself to the presuppositions of the system. That these, however, are not universally acceptable the history of recent criticism shows clearly enough.

Böhm-Bawerk and his entire school have erected valuation into what is essentially a logical process. Böhm-Bawerk's value theory has been described as a psychological theory, but as every one now knows, this description is misleading. The theory assumes as its starting-point satisfactions—whether hedonistically conceived or not—that are definitely measurable in themselves. From the magnitudes of these satisfactions all value magnitudes are derived by a logical process. Impulse, tradition, social forces, operate to influence the satisfaction magnitudes; but when the latter are taken for granted, valuation is strictly an individualistic, rational process.

What, however, does psychology know of this antecedent structure of satisfaction magnitudes, or utilities? Practically nothing. There are such magnitudes, no doubt, but that they present the form that has been given to them by the value theorists is highly improbable. Not satisfactions, but goods, are valued in the first instance. Individual whim and social influence play directly upon

the structure of values. If any one ever attempts to give definite magnitudes to his satisfactions, it is because he has been trained to do so through the handling of goods.

When value is approached from a truly psychological point of view, immediacy is its universal characteristic. One value is not derived from another; all are on the same footing. There may be a long-run tendency to adjust values to satisfactions, but this tendency must be treated as a psychological, not as a logical, process. The relation between income values and capital values, like all other value relations, is psychological, not logical, as assumed by both Böhm-Bawerk and Fisher. From this point of view, it appears that the technical superiority of present goods may indeed be erected into an independent cause of interest. Let this superiority increase or decrease: readjustments in capital value must follow, if at all, through a laborious psychological process, not through a timeless logical process. Accordingly, Böhm-Bawerk's interest doctrine, if open to attack on the basis of a purely logical value theory, is the more likely to survive when the logical theory gives way to a theory better grounded in psychology.

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Cornell University.

NEW BOOKS

BOGARDUS, E. S. *An introduction to the social sciences; a textbook outline.* (Los Angeles: University of Southern California. 1913. Pp. 206. \$1.50.)

BULLOCK, C. J. *The elements of economics.* Second edition. (Boston: Silver, Burdett. 1913. Pp. vii, 378. \$1.)

"Changes have been made as the events of the last eight years have made necessary."

CANNAN, E. *Wealth. A brief examination of the causes of economic welfare.* (London: King. 1913. 3s. 6d.)

CHAPMAN, S. J. *Elementary economics.* (New York: Longmans. 1913. Pp. x, 169. 75c.)

To his *Outlines of Political Economy* and his *Political Economy* (Home University Series) Professor Chapman now adds a third elementary textbook, which is stated to be introductory to the *Outlines*. In a general way it has the merits of his other texts and unfortunately their defects. While perhaps not absolutely so abstruse and dry as reviewers have pronounced the previous works, this book would be, relatively to the capabilities of the younger pupils for whom designed, equally as unsuited for purposes of instruction. It is certainly to be hoped that with publication within

a short period of three "elementary" textbooks, Professor Chapman will rest content and turn his unquestionably great powers to something at the same time more worthy of his efforts and more likely to be successful.

H. E. M.

DIEHL and MOMBERT. *Ausgewählte Lesestücke zum Studium der politischen Oekonomie*. Vol. VII. *Wirtschaftskrisen*. Vol. VIII. *Kapitalzins und Unternehmergeinn*. (Karlsruhe i.B.: G. Braun'sche Hofbuchdr. 1913. Pp. vii, 204; viii, 197. 2.60 M. each.)

ELLWOOD, C. A. *Sociology and modern social problems*. Revised and enlarged. (New York: American Book Co. 1913. Pp. 394.)

Use has been made of the census of 1910 to revise the statistics. Two new chapters: The Bearing of Modern Psychology on Social Problems and Theoretical Summary, have been added.

GOWIN, E. B. *Sociology*. (Middletown, Ct.: Wesleyan Store. 1913. Pp. 49, 7. 50c.)

HANISCH, G. *Die klassischen Werttheorien*. (Berlin: Puttkammer & Mühlbrecht. 1913. Pp. 44. 0.80 M.)

HOBHOUSE, L. T. and others. *Property: its duties and rights, historically, philosophically, and religiously regarded*. (London: Macmillan. 1913. 5s.)

To be reviewed.

VON KLEINWAECHTER, F. *Lehrbuch der Volkswirtschaftspolitik*. (Leipzig: Hirschfeld. 1913. 5 M.)

LORIA, A. *The economic synthesis. A study of the laws of income*. Translated from the Italian by M. E. Paul. (London: Allen. 1913. 5s.)

NELSON, L. *Die Theorie des wahren Interesses und ihre rechtliche und politische Bedeutung*. (Göttingen: Vandenhoeck & Ruprecht. 1913. 0.80 M.)

NEURATH, O. and SCHAPIRE-NEURATH, A. *Lesebuch der Volkswirtschaftslehre*. I. *Plato bis Ricardo*. II. *Sismondi bis George*. (Leipzig: Gloeckner. 1913. Pp. viii, 231; vii, 287. 4 M. each.)

STEUART, J. *Untersuchung über die Grundsätze der Volkswirtschaftslehre*. Translated from the English by A. JOHN. Two volumes. *Sammlung sozialwissenschaftlicher Meister*, 15. (Jena: Fischer. 1913. 7.50 M.)

WAGNER, A. *Les fondements de l'économie politique* (Paris: Giard & Brière. 1913. 10 fr.)

Economic History and Geography

An Economic Interpretation of the Constitution of the United States. By CHARLES A. BEARD. (New York: The Macmillan Company. 1913. Pp. vi, 330. \$2.25.)

Students of our national history are not unaware that our Constitution was framed, favored, and adopted by the people who

represented the "Big Business" of that day. But Professor Beard points out that no one has, as yet, scrutinized the economic forces contending over the cradle of the new nation, with the minute particularity they deserve. Professor Farrand has produced a definitive work upon the discussions in the Convention of 1787; and a cloud of witnesses from Bancroft, von Holst and Fiske, to Farrand and McLaughlin has surveyed the results of those debates from the political, the legal, and the philosophical points of view.

Professor Beard invites scholars now to place the emphasis where he considers that it really belongs, "to turn away from barren 'political' history to a study of the real economic forces which condition great movements in politics." Perhaps it is unnecessary to depreciate political history in order to exalt the horn of economic history, but allowance can be made for a fruitful enthusiasm. For Professor Beard has turned a light upon a great mass of material relating to economic conditions in the period of the Confederation, which is waiting for the patient investigator. Making due use and acknowledgment of the previous researches of Professors Turner, Seligman, and Dodd, and of Doctors Ambler, Libby, Schaper, and others, he has himself made a distinct contribution to knowledge of the financial circumstances and presumable motives of the leaders of 1787.

Especially illuminating are his chapters on A Survey of Economic Interests in 1787, The Economic Interests of the Members of the Convention, The Popular Vote on the Constitution, and The Economics of the Vote on the Constitution. These chapters contain the results of laborious investigations among the archives of the Treasury Department and the Congressional Library. At least five sixths of the Fathers who sat in the convention were "economic beneficiaries from the adoption of the Constitution." Out of 55 members, 40 were owners of public securities, 24 of them held as much as five thousand dollars worth, or more, and the same number were rated as capitalists with loans to protect. The convention contained no representative of the so-called debtor-classes, the small farmers and mechanics. Considering that about three fourths of the adult males in the country never voted on the Constitution, and that very possibly a majority of those who did vote were opposed to its ratification, we are assured that the economic foundations of our first political differences were broad and deep.

The final word with which Professor Beard sums up his suggestive and stimulating essay is this:

The Constitution was not created by "the whole people" as the jurists have said; neither was it created by "the states" as southern nullifiers long contended; but it was the work of a consolidated group whose interests knew no state boundaries and were truly national in their scope.

For the complete demonstration of his thesis Professor Beard invites scholars to engage in a searching and precise study of tax returns, wills and mortgages, and shipping records, from Maine to Georgia, of the complete history of transactions in public securities, and in land speculations, and finally a study of the geographic distribution of manufacturing establishments and of the owners and investors. With a fine courage Professor Beard writes: "A really fine analytical treatment of this problem would, therefore, require a study of the natural history of the (approximately) 160,000 men involved in the formation and adoption of the Constitution." Here would be, indeed, a sort of encyclopedic Domesday Book survey, undertaken one hundred and twenty-five years after the causal event. As our author admits, it can never be perfectly achieved, because so many records, local, state, and national, are not completely preserved.

C. H. LEVERMORE.

The Economic Utilization of History. By HENRY W. FARNAM.
(New Haven: Yale University Press. 1913. Pp. viii, 220.
\$1.25.)

Diverse as are the topics in this little volume of Professor Farnam's, its successive chapters show unity of purpose and of viewpoint. The dominant note is an appeal for the same patience, accuracy, and devotion to truth on the part of the economist as is found in the work of the natural scientist. The early chapters develop this ideal from a methodological and analogical standpoint. History and current economic and social experimentation afford the phenomena to be observed and treated by the methods and in the spirit of science. These phenomena are multifarious, so that hasty generalization is dangerous. At the other extreme, the statistical method encounters the dangers of a refinement of method in excess of the possibilities of accurate use of highly diverse materials. A scientific attitude can be realized only by making issues "more and more specific, taking into account only

a limited number of phenomena at a time." This theme is developed, for the most part, in the first two chapters. The first gives its title to the work. The second discusses Some Questions of Methodology.

But scientific attainment must find its impulse in some goal of human achievement. This, in the economic field, because of the very materials with which the social scientist deals, speedily shapes itself as an ideal of social advancement. A social view of economic process is, however, by no means a simple one. It calls for repeated illustration. Professor Farnam works out this aspect of his task in the later chapters by drawing on his rich experience in the field of labor legislation and experimentation. Among the chapters developing this idea in a significant way are these: Economic Progress and Labor Legislation, Fundamental Distinctions in Labor Legislation, Purposes of Labor Legislation, Practical Methods in Labor Legislation, Acatastatic Factors in Distribution, and Signs of a Better Social Vision.

The main theme of the work in both its theoretical and illustrative phases is worked out with faithfulness of purpose and unusual delicacy of literary touch.

ROSSELL C. MCCREA.

University of Pennsylvania.

The Influence of Monarchs. Steps in a New Science of History.
By FREDERICK ADAMS WOODS. (New York: The Macmillan Company. 1913. Pp. xii, 422. \$2.00.)

In *Mental and Moral Heredity in Royalty*, published in 1906, Dr. Woods opened up an important line of investigation which is here worked out on a somewhat more ambitious scale. He proposes to employ the method of exact measurement in treating historical materials. To this method he applies the name "historiometry" and its leading principle he calls "quantitative valuation." Leaving aside the elements of psychic phenomena, like religion, literature, and science, he proceeds to weigh economic and political facts, and, by means of a simple marking system, to estimate the period of a monarch's reign as plus, plus-minus, or minus, according as the condition was one of progress, indifference, or decline. Measuring the monarch by a similar standard, he compares the two sets of markings in order to determine the degree of correlation between monarch and period. In medieval and modern times, superior rulers are found associated with

superior or indifferent periods in some 70 per cent of cases, and the reverse in 10 per cent of cases. The conclusion reached is that the monarch has influenced his age more than the age has influenced the monarch. That this relation is not accidental is proved by the fact that a change of conditions has often followed a change of rulers and also that a royal minority or an interregnum has generally reacted perceptibly on the period.

On the question of causation Dr. Woods reiterates the conclusion reached in *Heredity in Royalty*, that modern royalty has been decidedly superior in capacity to the average European, and it must be conceded that, so far as nominal achievement goes, he has made out a fairly good case. This superiority he attributes to superior heredity; indeed, "heredity is the master key of history"; and he proposes to substitute "the gametic interpretation of history" for whatever other theories now hold the field. In a certain sense, therefore, royalty vindicates its own existence and is its own justification; for, inasmuch as history has been a process of natural selection, "in the long struggle for wealth and power, royalty is merely a name applied to those interrelated families that have succeeded in getting and keeping what most men want" (p. 273).

The most obvious objection to Dr. Woods' plan is not, as he seems to imply, the matter of the credibility of historical sources, but the fact that his method of measurement is of necessity too crude for accurate results. But it is not on the matter of method that the most serious question arises, for a method producing even loosely approximate results is better than mere generalization. Several of his conclusions will hardly commend themselves to those of his readers who take the sociological point of view. For instance, to attribute the character of a period to forces, whether individual or social, wholly within the period itself is to neglect the fact that all ages with a distinct character either of progress or decline have been fashioned largely by the antecedent period. Further, it is always a debatable question whether the exceptional individual is not himself largely formed by the influences of his time. In purposely neglecting the cultural factors, also, Dr. Woods commits himself to an extreme form of the materialistic interpretation of history in which he will find few followers, for those factors are often the most potent ones in their influence both on economic and political conditions and on those very exceptional individuals to whom he attributes pre-

dominating importance. Again, the controversy about the relative influence of heredity and environment is not settled quite so decisively as Dr. Woods implies. If instead of environment we read "opportunity," as the late Lester F. Ward so ably interpreted the term, the issue is clearer. Those who hold with Dr. Ward will hardly agree that the nominal achievements of rulers, and particularly of hereditary rulers, necessarily prove superior inherent talent rather than a more favorable theater for that talent.

But despite all objections to his conclusions, which after all do not of necessity invalidate his method, it must be conceded that Dr. Woods has performed a notable achievement in his experiment of introducing the methods of the exact sciences into the study of social phenomena. Whether or not his present results are accepted, it is certain that his method may be used in many branches of the social sciences and that it is one to which economists, sociologists, and historians must give increasing attention.

ULYSSES G. WEATHERLY.

Indiana University.

Industrial and Commercial Geography. By J. RUSSELL SMITH.
(New York: Henry Holt and Company. 1913. Pp. xii,
914. \$4.00.)

The author's wealth of information, clear statement, attractive style, and keen appreciation of fundamental causes, raise this book to a very high excellence in its special field. He has got as far away as possible from the encyclopedic method that mars so many of the textbooks which claim to deal with commercial geography. It is at once valuable in its presentation of data and thoroughly excellent in its educational stimulus. There is a sense of movement, a pervading yet unobtrusive emphasis of cause and effect which gives the subject a dynamic quality in happy contrast to the purely static presentation of facts which has been so fatal to any real interest in the study of geography in this country. The author is nowhere content merely to state things: he explains developments by reference to underlying causes. The place of the book among the numerous texts which have appeared under the titles of commercial geography, geography of commerce, etc., may perhaps best be indicated by stating that it covers approximately the same ground as part three of Gregory, Keller and Bishop's recent book.

The method of the book is also admirable. It consists of two parts, the first called "industrial," and the second "commercial" geography. Though the terms are nowhere defined, the author clearly means by industrial geography the study of the causes of the localization of industries, and by commercial geography the investigation of the conditions under which the regional interchange of commodities takes place.

In the first part, the old problem of treatment by industries or by countries is solved not by adopting a mixture of the two, as has so often been the case, but by frankly accepting the former. The discussion of an industry

as a unit brings causes and results together in their explanatory relation and makes the facts not only appeal to reason but also grip the memory. Such a conspectus of the world's industries, when properly illustrated by charts and diagrams, should give a sound knowledge of the trade activities of each country, without sacrificing the no less valuable knowledge of the industries themselves.

The discussion of the eighty or ninety industries treated is clear and convincing and the numerous charts, diagrams, tables, and maps (though the latter are not always so clear as might be desired) give the reader a real impression of the leading activities and possibilities of separate regions.

The second part, *Commercial Geography*, is by no means so convincing. One hesitates to criticise it because on the whole it is so thoroughly well done, yet the impression one gets is that it is not commercial geography at all in any broad sense, but rather, an interesting study of one phase of it, namely the study of trade routes. Of the sixteen chapters devoted to this part, no less than ten are given to a regional study of land and ocean highways. The remaining six chapters deal with such semi-detached topics as *The Law of Trade*, *The World Highway*, *The Trade Center*, and *The Balance of Trade*. There seems to be lacking a clear purpose such as runs through the first part of the book. Instead of the discussion of the geographical bases of the regional movements of commodities, movements which are based on physiological, anthropological, economic, geographical, and many other factors, one is confronted with a discussion in which the chief emphasis is placed on the physical means of getting commodities from place to place. In a certain sense industrial geography concerns itself with problems of supply; commercial geography, with problems of demand in relation to supply; and it should go far beyond the question of the means

by which and the routes over which the equation of demand and supply is satisfied. The author apparently recognizes this in the first chapter of the second part, on the Law of Trade, but he does not carry it out adequately in the succeeding chapters.

Here is indicated a certain shortcoming of this book and all of its class. They have not yet gone far enough. If the aim is, as stated in the preface, "to interpret the earth in terms of its usefulness to humanity," more must be done than to investigate the problems of supply or "production" of goods. If we accept the term "production" in its economic sense, it includes not merely the physical "creation" or "extraction" of goods, but the carrying of them to the consumer as well; and there is no logical reason for calling the study of routes by a different name from that of the study of the distribution of industries. Both have to do with the supply of goods. The problem of demand is a different one, and it, like the problem of localization of industries, has broad geographical bases. Commerce or trade results from diversity of supply, it is true, but none the less does it also depend upon diversity of demand; and the geography of commerce goes only half way when it stops with an explanation of the geographical factors which determine supply. The complete geography of commerce, when it is written, will, like the book under consideration, logically consist of two parts; but one of these parts will cover the geography of supply and will include both the parts of the present book, and the second part will cover what may be called geography of demand, *i.e.*, the explanation, in the light of the facts of man's environment, of diversity of demand for goods. To adopt the words of the present author it will aim "to interpret the earth in terms of the *demands* it makes upon humanity."

Even then it will fall far short of that study for which the term economic geography ought to be, but unfortunately often is not, reserved. Professor Smith, however, apparently recognizes this fact, for nowhere does he apply this broader term to his work. Economic geography, when it shall have shed all the light it can derive from geography on the problems of both supply and demand, will be in a position to render great service to economic investigation by lending new point to the discussion of the "exchange," the "distribution," and the "consumption," of wealth (using these terms in their economic sense).

In places, the author has permitted his facile pen to betray

him into the sacrifice of scientific accuracy to picturesqueness of statement. Here and there, also, misprints make it necessary to exercise a little caution in using the book.

LINCOLN HUTCHINSON.

University of California.

The Origin of Property, and the Formation of the Village Community. By JAN ST. LEWINSKI. (London: Constable & Company, Ltd. 1913. Pp. xi, 71. 3s. 6d.)

Despite the title, the really important discussions herein have to do rather with the growth of systems of property than with its origin. The four chief factors in the problem are thus stated: the economic principle, the principle of numerical strength, the growth of population, and the relation of nature to human wants. With special reference to property in land, the author points out that it is erroneous to speak of common property among nomadic peoples, since, while every individual has a right to the free use of the soil, the community has no right to dispose of it. In general, property will be found to be individual "where the labor unit is an individual or family; it will be common when the labor unit is a collective group." Similarly, regulations as to use of land will differ according to the labor necessary to prepare it for use. Modern reformers who are accustomed to point to primitive common ownership of land as a natural and universal condition will find little encouragement in the present book. Exactly the opposite condition is declared by the author to have been the original one.

As a matter of fact, the village community is shown to have been a relatively late development and to have been only a passing phase of economic evolution. It characterizes that period which lies between a great growth of population and the time when agriculture becomes intensive. Growth of population, indeed, is the chief dynamic agent in producing changes in the status of property in land. Contrary to the older view, the village community was a natural growth, and was not much affected by the factors of race, migration, imitation, or legislation.

The author gives most attention to Russian conditions, but he also studies the German mark and the village communities of India, Java, and early England. Brief as this book is, being the outcome of lectures delivered at the London School of Economics, it is a valuable adjunct to the older works of Maine, Maurer,

Seeböhm, and Baden-Powell. To the average student who does not read Russian it is particularly useful because it presents in compact form a large amount of material from Russian sources not otherwise available.

ULYSSES G. WEATHERLY.

NEW BOOKS

- ALLEN, F. and JONES, D. A. *An atlas of commercial geography.* (New York: Putnam. 1913.)
- BAHRFELDT, E. *Das Münzwesen der Mark Brandenburg unter Friedrich Wilhelm, dem grossen Kurfürsten, und Kurfürst Friedrich 3. 1640-1701.* (Leipzig: Kochler's Antiquarium. 1913. Pp. xi, 174. 24 M.)
- DE BRAY, A. J. *L'essor industriel et commercial du peuple canadien.* (Montreal: Librairie Beauchemin. 1913.)
- BRIGHAM, J. *The life and services of Senator James Harlan.* (Iowa City: State Hist. Soc. 1913.)
- CARTWRIGHT, R. *Reminiscences.* (Toronto: William Briggs. 1913. Pp. 408.)
Reviewed in *The Economist*, September 3, 1913.
- CHANCELLOR, W. E. *A life of Silas Wright 1795-1847, United States senator from New York 1883-1844, governor of the state of New York 1844-1846.* (New York: W. C. O'Donnell, Jr. 1913. Pp. 128. \$1.)
- CHAPIN, F. S. *An introduction to the study of social evolution; the prehistoric period.* (New York: Century Co. 1913. Pp. xxii, 306, illus. \$2.)
- COLAJANNI, N. *L'Italia di oggi.* (Rome: C. A. Bontempelli. 1913. 2 vols.)
- COLLINSON, W. *The apostle of free labour.* (London: Hurst. 1913. Pp. 332. 16s.)
Autobiography of the founder and general secretary of the National Free Labour Association. A story of strike-breaking.
- CONNELLEY, W. E. *The life of Preston B. Plumb, 1837-1891, United States senator from Kansas for fourteen years.* (Chicago: Browne & Howell. 1913. Pp. 6, 475. \$3.50.)
- DUNCAN-CLARK, S. J. *The Progressive movement; its principles and its programme.* (Boston: Small, Maynard. 1913. 50c.)
- DURKHEIM, E. *L'année sociologique.* Vol. XII. 1909-1912. (Paris: Alcan. 1913. Pp. 892. 15 fr.)
- ENOCK, C. R. *The republics of Central and South America; their resources, industries, sociology and future.* South American series. (New York: Scribner. 1913. Pp. 544. \$3.)

ENSGRABER, W. *Die Entwicklung Darmstadts und seine Bodenpreise in den letzten 40 Jahren.* (Leipzig: Deichert. 1913. 6.40 M.)

FISH, C. R. *The development of American nationality.* (New York: American Book Co. 1913. Pp. xxxix, 535.)

This is volume 2 of the *Short History of the American People*, the first volume of which was prepared by Professor E. B. Greene. It includes chapters on New Economic and Social Conditions, 1830 to 1860; The Currency and the Tariff, 1880 to 1900; and Industrial and Social Changes.

GANNETT, H., GARRISON, C. L., and HOUSTON, E. J. *Commercial geography.* Revised edition. (New York: American Book Co. 1913. Pp. vi, 416, illus. \$1.25.)

HART, A. B., editor. *Social and economic forces in American history.* (New York: Harper. 1913. Pp. 523, map. \$1.50.)

Compiled from the twenty-seven volumes of *The American Nation*.

HELFFERICH, K. *Deutschlands Volkswohlstand 1888-1913.* (Berlin: Stilke. 1913. Pp. viii, 127. 1 M.)

HOTCHKISS, C. W. *Representative cities of the United States, a geographical and industrial reader.* (Boston: Houghton Mifflin. 1913. Pp. xi, 212, maps, illus.)

KEY, H. *La vie économique de la Suède.* (Paris: Plon-Nourrit. 1913.)

MALLET, M.-G. *La politique financière des Jacobins.* (Paris: Rousseau. 1913. Pp. 449.)

MANES, A. *Der soziale Erdteil. Studienfahrt eines Nationalökonomen durch Australasien.* (Berlin: Mittler. 1913. Pp. 178, illus. 3 M.)

MARTIN, A. G. *Précis de sociologie nord-africaine.* Part I. (Paris: E. Leroux. 1913. 2.50 fr.)

MILLER, H. H. and STORMS, C. H. *Economic conditions in the Philippines.* (Boston: Ginn. 1913. Pp. vi, 273. \$1.75.)

The Bureau of Education at Manila has issued this book for use in the fourth year of Philippine secondary schools. It is distinctly elementary, much more so than would be necessary in a book designed for the last year in American high schools. The authors have digested and used with discrimination the special literature which has accumulated relating to different industries in the Philippines. They had the advantage, not only of personal knowledge of Philippine conditions, but of an economic census of the islands undertaken through the teachers in the public schools. The book betrays an intimate knowledge of local conditions which no mere library student could have attained. There are some useful maps and diagrams and an index.

E. V. R.

MILLER, T. C. and MAXWELL, H. *West Virginia and its people.* (New York: Lewis Pub. Co. 1913. \$21.)

MOLTKE, S. *Was Friedrich List dem deutschen Volke war und heute noch ist.* (Leipzig: Frz. Weyland. 1913. Pp. 20. 0.40 M.)

MOORE, B. F. *The Supreme Court and unconstitutional legislation.* Columbia University Studies in History, Economics, and Public Law, LIV, 2. (New York: Longmans. 1913. Pp. 159. \$1.)

A useful study of some aspects of judicial control over legislation. Dr. Moore traces briefly the early history of judicial power in the states, and then proceeds to a careful discussion of the attitude of the United States Supreme Court toward legislation, both federal and state. He finds that, in the main, the courts have not regarded their power as one to be exercised only in cases where the invalidity of legislation was clear beyond a reasonable doubt. Perhaps the most valuable part of the monograph is the third chapter, which analyzes the federal statutes held void by the United States Supreme Court. In the appendices are collected tables of all cases in which statutes have been held invalid by the United States Supreme Court.

M. H. R.

PARCE, L. *Economic determinism; or, the economic interpretation of history.* (Chicago: Kerr. 1913. Pp. 9, 155. \$1.)

PERNET, *Pierre le Grand. Mercantiliste.* (Paris: Librairie générale de droit. 1913. 5 fr.)

RATZEL, F. *Geografia dell'uomo.* (Rome: Bocca. 1913. 17 l.)

SAINT-LEGER, *L'Argentine économique.* (Paris: Roger & Chernoviz. 1913. 3 fr.)

TURNER, F. J. *A list of references on the history of the West.* (Cambridge: Harvard University Press. 1913. Pp. 130. 75c.)

WILLIAMSON, J. A. *Maritime enterprise, 1485-1558.* (London: Oxford University Press. 1913. 15 plates. 14s.)

WINTER, N. O. *Poland of to-day and yesterday.* (Boston: Page. 1913. Pp. 12, 349. \$3.)

A general view of trade and industry in the Netherlands. (The Hague: Commercial Department of the Netherlands Ministry of Agriculture, Industry, and Commerce. 1913.)

A history of the salt union. A record of twenty-five years of disunion and depreciation, compiled from official reports. (London: Wilson. 1913. 5s.)

Mercantile marine atlas of the world. Fourth edition, revised and enlarged. (London: G. Philip & Son. 1913. 200 charts and maps. £3. 3s.)

Incorporates the changes made by the opening of the Panama Canal.

Select charters of trading companies, A.D. 1530-1707. Selden Society publications, vol. 28. (London: Quaritch. 1913.)

Semi-centennial history of the state of Colorado. Two volumes. (Chicago: Lewis Pub. Co. 1913. \$25.)

Agriculture, Mining, Forestry, and Fisheries

The New Agrarianism. By CHARLES W. DAHLINGER. (New York: G. P. Putnam's Sons. 1913. Pp. lv, 248. \$1.00.)

Evil conditions which have been so much complained of in recent years are due, Mr. Dahlinger thinks, not to essential faults of government or our economic organization, but to unequal progress as between agriculture on the one hand and industry and commerce on the other.

The consolidation of manufacturing is not so harmful as people suppose; the consolidation is less general than they imagine; small-scale industry is not disappearing; opportunity is not being destroyed. "The people do not bear in mind that whenever a radical change in the manner of manufacturing takes place a readjustment must be had of the forces which produce it." The initiative and referendum, as methods of dealing with public evils, do not well serve their purpose; they have been used for vicious legislation and for measures so numerous that the people cannot understand them, as when Oregon voted on thirty-eight legislative measures at once, in 1912.

Improvement in agricultural methods and organization (described through several chapters with reference to the United States, Ireland, and Europe) is, in the author's opinion, the means of allaying the popular discontent which arises fundamentally, he thinks, from the increased cost of living.

Mr. Dahlinger is clearly in error when he speaks (p. 41) of a "Grange party" formed in 1867; it is worse than questionable to say that Gustavus Adolphus defeated "Austria" (p. 159); and at least doubtful is the proposition (p. 43) that "no greater act of beneficence was ever done by man for man than the enactment of the Interstate Commerce Law." One may be surprised also to read (p. 118) that farming cannot be profitable in the United States, since by the census of 1910 the gross product of manufacturing was much greater than that of agriculture, with a much less valuation of property employed. It may be difficult, again, to agree that the happiness of mankind would be secured, as we are told in conclusion, by the multiplication of agricultural societies like the German Bund der Landwirth—numerous and powerful enough to secure the election in 1907 of every candidate for the Reichstag whom it approved, declaring its purpose to be legislation for the benefit of that one class, limiting its membership to Christians, and effecting the enactment

of unchristian laws for making food dear by the power of taxation.

Mr. Dahlinger's diagnosis is curiously related to his remedy: the high cost of living is the chief occasion for discontent—therefore, let us have meat exclusion bills, and all will be well.

A. P. WINSTON.

Pearre, Maryland.

NEW BOOKS

- ANDREE, K. *Karl Andree's Geographie des Welthandels*. Revised edition. Three volumes. (Frankfort a. M.: H. Keller. 1913. Pp. x, 527. 9.60 M.)
- BARNES, W. C. *Western grazing grounds and forest ranges*. (Chicago: Breeder's Gazette. 1913. Pp. 390. \$2.)
- DADE, H. E. *Die deutsche Landwirtschaft unter Kaiser Wilhelm II. Mutterland und Kolonien*. I. Preussen. II. Bayern und die übrigen Bundesstaaten. (Halle: Marhold. 1913. Pp. ix, 703; vi, 590.)
- DALLMAYER, A. *Die volkswirtschaftliche Bedeutung der Milchzentrifuge*. (Hildesheim: Volkerei-Zeitung. 1913. 1 M.)
- DAVIS, C., compiler. *Live stock a producer of wealth*. (Nashville, Tenn.: McQuiddy Prg. Co. 1913. Pp. 56, illus.)
- EDER, P. J. *Colombia*. South American series. (New York: Scribner's. 1913.)
- EMERY, G. D. *The new mining law of Alaska*. (Seattle, Wash.: Pioneer Prg. Co. 1913. Pp. 25, illus. 50c.)
- FRANCOIS and VALLIER. *Les industries agricoles et alimentaires*. (Paris: Dunod & Pinat. 1913. Pp. 260. 4.50 fr.)
- HALL, A. D. *A pilgrimage of British farming*. (London: Murray. 1913. 6s.)
- HARBEN, H. D. *The rural problem*. (London: Fabian Soc. 1913. 2s. 6d.)
- HURD, A. and CASTLE, H. *German sea power: its rise, progress, and economic basis*. (New York: Scribners. 1913.)
- KROPOTKIN, P. *Fields, factories and workshops: or industry combined with agriculture and brain work with manual work*. New revised and enlarged edition. (New York: Putnam. 1913. Pp. 477.)
- Those familiar with Kropotkin's *Fields, Factories and Workshops*, as it appeared in 1898, remember his attempt to portray the possibilities of intensive agriculture as illustrated in various countries, and the tendency towards decentralization in manufactures as shown by the comparative growth of small and large industries.
- The second edition of this volume which appeared last year adds statistical information from England, Germany, France, and other countries, for the intervening fourteen years, with a view of em-

phasizing still further the aforesaid tendencies. Kropotkin's book is mainly a discussion of "the advantages which civilized societies could derive from a combination of industrial pursuits with intensive agriculture, and of brain work with manual work." C.W. T.

LEONHARD, R. *Landwirtschaft, Landindustrie, Aktiengesellschaft*. (Tubingen: Mohr. 1913. Pp. 52. 1.50 M.)

LEVAT, D. *Les richesses minérales de Madagascar*. (Paris: Dunod & Pinat. 1913. Pp. 360.)

LICHTENFELT, H. *Die Geschichte der Ernährung*. (Berlin: Reimer. 1913. 9 M.)

DE MARCILLAC. *Les syndicats agricoles*. (Paris: Gabalda. 1913. Pp. 270. 2 fr.)

MARKS, T. E. *The land and the commonwealth*. (London: King. 1913. 5s.)

McCULLOCH, W. *Conservation of water. Addresses delivered in the Chester S. Lyman lecture series, 1912, before the senior class of the Sheffield Scientific School, Yale University*. (New Haven: Yale University Press. 1913. Pp. x, 99. \$2.)

This course of lectures by an engineer before technical students naturally gives chief attention to the engineering rather than the economic aspects of the subject. Nevertheless, it is of interest to laymen as containing in brief compass an intelligible statement of the principles and methods involved in water storage projects and of the interrelation of the different uses which water may serve; also valuable as restating in effective form many of the familiar arguments for the conservation of water resources. The contents cover (1) an introductory chapter which is also a summary, (2) basic data essential to a comprehensive study of water storage, (3) water power, (4) water storage for water supplies, sanitation and irrigation, (5) water resources of New York state. There are some excellent illustrations, besides diagrams and maps, but unfortunately no index.

E. V. R.

MERCIER, W. B. and SAVELY, H. E. *The Knapp method of growing cotton*. (Garden City: Doubleday, Page. 1913. Pp. 208. \$1.)

MUELLER, K. *Die Frauenarbeit in der Landwirtschaft*. (M.-Gladbach: Volksvereins-Verlag. 1913. 0.80 M.)

PFANNENSCHMIDT, E. *Die landwirtschaftlichen Produktionsverhältnisse Argentiniens*. (Munich: Duncker & Humblot. 1913. 2.40 M.)

RECTOR, F. L. *Underground waters for commercial purposes*. (New York: John Wiley & Sons. 1913. Pp. 98. \$1.)

RICCI, U. *Das statistische Bureau des Internationalen Landwirtschaftlichen Institutes*. (Brunn: F. Irrgang. 1912. Pp. 34.)

STAMER, M. *Fischhandel und Fischindustrie*. (Stuttgart: Enke. 1913. Pp. viii, 368. 12 M.)

- TOLLEWACHE, B. *The occupying ownership of land*. (London: Murray. 1913. 2s. 6d.)
- DE VUYST, P. *Woman's place in rural economy*. (London: Blackie. 1913. 3s. 6d.)
- VON WALTERSHAUSEN, A. S. F. *Die sizilianische Agrarverfassung und ihre Wandlungen 1780-1912*. (Leipzig: Deichert. 1913. 10 M.)
- WIETH-KNUDSEN, K. A. *Bauernfrage und Agrarreform in Russland*. (Munich: Duncker & Humblot. 1913.)
- Agricultural project study bibliography; approved for vocational agricultural schools and departments*. (Boston: Mass. Board of Educ. 1913. Pp. 48. Gratis.)
- Conservation of national resources*. (Boston: Am. Unitarian Assoc. 1913. Pp. 25. Gratis.)
- Cotton crop movements. 1913-1914*. (Liverpool: London and Lancashire Fire Ins. Co. 1913. Pp. 45.)
- Geological survey of Canada*. Three volumes. (London: Dulau. 1913. £5. 5s.)
- An inquiry as to the coal resources of the world made by the executive committee of the Twelfth International Geological Congress, Canada, 1913.
- The land. Report of the land enquiry committee*. Vol. I. Rural. (London: Hodder & Stoughton. 1913. 1s.)
- The land and the people*. Times series. (London: Murray. 1913. Pp. 96. 1s.)
- The mineral industry, its statistics, technology and trade during 1912*. (New York: McGraw-Hill. 1913. Pp. xv, 1090, tables. \$10.)
- Report of the fourth annual meeting held at Ottawa, January 21-22, 1913*. (Toronto: Commission of Conservation. 1913. Pp. viii, 238.)

The conservation movement in Canada, which took its rise from the famous White House Conference of Governors and the subsequent North American Conservation Conference, resulted in the establishment of a permanent commission composed partly of ex-officio members from various provinces, partly of appointed members, the latter comprising a number of university men. While the necessity was not so great in Canada as in the United States, especially in view of the fact that timber, mineral, and land, have not usually been disposed of together, nevertheless considerable practical work has been accomplished, notably the recent increase of the Rocky Mountain Forest Reserve to approximately 25,000 square miles. Incidentally, the four volumes of proceedings not only record the progress of conservation, but also contain in condensed form an immense mass of valuable information relating to the natural resources and economic development of Canada. The

most important parts of the present volume are the reports on fur farming, the Ontario clay belt, and the forest reserves. E. V. R.

A voice from the village. The labourer and the land. (London: Dent. 1913. Pp. 64. 1s.)

What farmers use in Minnesota, the Dakotas and Wisconsin. (Minneapolis: P. V. Collins Pub. Co. 1913. Pp. 303. \$1.)

Manufacturing Industries

NEW BOOKS

VON DER, AA. K. *Deutschlands Textilindustrie.* (Leipzig: Teubner. 1913. 4.50 M.)

BIRK, M. *Kopra-Produktion und Kopra-Handel.* Probleme der Weltwirtschaft, 15. (Jena: Fischer. 1913. 6 M.)

DURAN, L. *Raw silk, a practical hand-book for the buyer.* (New York: Silk Pub. Co. 1913. Pp. 192. \$2.50.)

HUEBENER, E. *Die deutsche Eisenindustrie, ihre Grundlagen, ihre Organisation und ihre Politik.* Handelshochschulbibliothek, 14. (Leipzig: Gloeckner. 1913. Pp. 226. 5.60 M.)

KINDL, F. H. *The rolling mill industry; a condensed, general description of iron and steel rolling mills and their products.* (Cleveland: Penton Pub. Co. 1913. Pp. iv, 76. \$2.)

KLAUS, H. *Die deutsche Oelmuellerei.* Technisch-volkswirtschaftliche Monographien, 13. (Leipzig: Klinkhardt. 1913. Pp. 223. 4.50 M.)

KOEHLER, W. *Die deutsche Nähmaschinen-Industrie.* (Munich: Duncker & Humblot. 1913. Pp. vi, 333. 8 M.)

LINK, A. *Die Lederindustrie.* Ueber der Standort der Industrien, 3. Tübingen: Mohr. 1913. Pp. iii, 97. 3 M.)

LLOYD, G. I. H. *The cutlery trades. An historical study in the economics of small-scale production.* (University of Toronto: G. I. H. Lloyd. 1913. Illus. 12s. 6d.)

To be reviewed.

MADLUNG, E. *Die Entwicklung der deutschen Portland-Zement-Industrie.* (Munich: Duncker & Humblot. 1913. Pp. iii, 99. 2.50 M.)

NORTON, T. H. *Die chemische Industrie in Belgien, Holland, Norwegen und Schweden.* (Braunschweig: F. Vieweg & Sohn. 1913. 4 M.)

PERLICK, A. *Die Luftstickstoffindustrie in ihrer volkswirtschaftlichen Bedeutung.* (Leipzig: Klinkhardt. 1913. Pp. v, 140. 5 M.)

STUECKART, C. *Die Baumwolle.* (Leipzig: Voigt. 1914. Pp. vii, 59. 3 M.)

Statistics of the American and foreign iron trades for 1912. (Philadelphia: American Iron and Steel Institute. 1913. Pp. 160. \$5.)

Transportation and Communication

Freight Classification. By E. R. DEWSNUP. *Routing Freight Shipments.* By J. F. MORTON. *Reducing Freight Charges to a Minimum.* By J. T. STROMBECK. *Freight Claims.* By WILLIAM T. TRIMPE. Interstate Commerce and Railway Traffic Series. (Chicago: La Salle Extension University. 1913. Pp. 304; 27; 68; 62.)

These pamphlets put into form for convenient study much information of value to all persons who have to do with shipping and handling of freight. They were designed for students in the commerce course at the university.

Freight Classification consists of three pamphlets. The first deals with the application of classifications and exceptions. It shows the evolutionary process by which the present three great interstate classifications have been developed; the boundaries of the application of each of these classifications; the forces that have been operating for many years tending toward uniformity; and the progress that has been made to that end. The author believes that the inconvenience of the present diversity of classification has been overestimated. He loses sight, apparently, of the great difficulty under which carriers are laboring in an effort to build up a consistent rate structure over a whole country, subject to the same regulative authority, which will permit the free movement of traffic from one part of the country to another. It is now next to impossible to construct a tariff of through class rates between Central Freight Association territory and points in Southeastern Freight Association territory that does not violate the sum-of-the-locals provision of the fourth section of the Act to Regulate Commerce. The trend toward a uniform classification that will obliterate association boundaries will simplify the tariffs and the work of tariff builders, and is one that should be accelerated by all reasonable and proper means.

The second part of Professor Dewsnap's treatise is devoted to a comparative study of the rules of classification. The rules of Western Classification No. 51, of Official Classification No. 39, and of Southern Classification No. 39, are laid side by side, and their practical effect upon freight charges and methods of shipment compared. The third part is a discussion of the principles of freight classification and of rate theory. The value-of-service theory of rate making, as compared with the cost-of-service theory, is here discussed, with many references to the decisions of the

Interstate Commerce Commission and of the courts. The appendices contain a directory of territorial and technical traffic terms and abbreviations, and give in semi-tabular form the application of state classifications and the interterritorial application of intrastate classifications.

Routing Freight Shipments considers briefly the object and importance of routing shipments in such manner as to secure the most economical, expeditious, and satisfactory service. The importance of knowing the character and number of the transfer points through which a shipment will pass, as a guide in routing shipments to a destination, is probably the salient feature.

Reducing Freight Charges to a Minimum discusses the methods of packing goods in order to secure the safety of the article, the lowest classification, and a minimum of dead or tare weight (ch. 1); the description and classifying of freight in such manner as to take all proper advantage of the list of exceptions to the classification (ch. 2); weights and the relation to freight charges, (showing how the actual weight of the car used may be less or greater than the stenciled weight), what foreign matter may be contained in the car, the necessity of anticipating shipments in order to secure cars of the proper capacity, the necessity for making the proper allowance for dunnage and for preservatives shipped with perishable goods (ch. 3); and miscellaneous means of reducing freight charges (ch. 4).

Freight Claims is a discussion of the method to be pursued in securing the payment of claims against carriers which arise in connection with the handling of freight; cases of total loss of shipment; partial loss; damage to a shipment; overcharges; showing in each case (a) by whom the claim must be presented, (b) documents that must be filed in support of the claim, (c) certain guides to determine the amount of the claim.

HENRY THURTELL.

NEW BOOKS

ALLEN, E. A. *Our canal in Panama.* (Cincinnati: U. S. Pub. Co. 1913. Pp. 432, illus. \$1.50.)

BRADLEY, G. D. *The story of the pony express; an account of the most remarkable mail service in existence, and its place in history.* (Chicago: McClurg. 1913. Pp. 175. 75c.)

DECOMBLE, C. *Les chemins de fer transpyrénéens; leur historie diplomatique, leur avenir économique.* (Paris: Pedone. 1913.)

- DEDEUX, R. *Der Suezkanal im internationalen Rechte unter Berücksichtigung seiner Vorgeschichte.* (Tübingen: Mohr. 1913. Pp. xiv, 145. 5 M.)
- DUNN, S. O. *Government ownership of railways.* (New York: Appleton. 1913. Pp. vii, 400. \$1.50.)
To be reviewed.
- GIACCONE, E. *Il canale di Panama.* (Rome: Bocca. 1913. 3.50 l.)
- GUENTHER, A. *Die kommunalen Strassenbahnen Deutschlands.* (Jena: Fischer. 1913. Pp. iv, 124. 5 M.)
- JENKINS, S. *The old Boston post road.* (New York: Putnam. 1913.)
- KNOOP, D. *Outlines of railway economics.* (New York: Macmillan. 1913. Pp. xvi, 264. \$1.50.)
To be reviewed.
- LAWSON, W. R. *British railways.* (London: Constable. 1913. 6s.)
- LEE, J. *Pitman's economics of telegraphs and telephones.* (London: Pitman. 1913. 2s. 6d.)
- MONKSWELL, D. L. *The railways of Great Britain.* (London: Smith, Elder. 1913. 6s.)
- NIXON, L. *Are we to have a merchant marine?* (New York: McBride, Nast. 1913. \$1.50.)
- PHELPS, E. M., compiler. *Selected articles on government ownership of the telegraph.* Abridged debaters' handbook series. (Minneapolis: H. W. Wilson Co. 1913. Pp. 32. 25c.)
- RIPLEY, W. Z. *Railway problems.* Revised edition. (Boston: Ginn. 1913. Pp. xxxiv, 830. \$2.50.)

This is a revised edition of a work originally published in 1907, showing an increase of 150 pages. New chapters have been introduced, among which are to be noted: Early American Conditions, by Henry G. Pearson, taken from the writer's biography of John M. Forbes; The Commerce Court Decision, 1911 (on the question of reasonable rates in the case of the Receivers' and Shippers' Association of Cincinnati); Joint Through Rates and Prorating (illustrated by the report of the International Commerce Commission in the case of *Burnham, Hanna, Munger Co. v. C. R. I. & P. Ry.*, decided in 1908); How the States Make Interstate Rates, by Robert Mather, originally published in the *Annals of the American Academy of Political Science*, in 1908; The Union Pacific-Southern Pacific Merger Dissolution, by Stuart Daggett; The Minnesota Rate Case; and The Regulation of Railway Rates under the Fourteenth Amendment, by Justice F. J. Swayze, published in the *Quarterly Journal of Economics*, 1912. The Theory of Railway Rates, by Taussig; the author's own study on The Economic Waste in Transportation; and Interstate Commerce Law as Amended in 1906, by Professor Dixon, are omitted in this second edition.

SAKOLSKI, A. M. *American railroad economics*. (New York: Macmillan. 1913. Pp. 295. \$1.25.)

To be reviewed.

SHELTON, W. A. *Railway traffic maps*. (Chicago: La Salle Extension University. 1913.)

A serviceable contribution to the detailed and technical analysis of freight rates in the United States: not, however, a volume to be placed in the hands of the uninitiated. The first impression gained from the sixteen maps is that of almost undecipherable complexity. Without a finding list or explanatory text, it would appear as if "confusion worse confounded" prevailed in this field of American freight rate making. Such being the case, it is doubtful if the volume can be made to serve the interests of academic instruction. It is designed rather for the chief of a railroad or state commission traffic bureau, and for this purpose it is, perhaps, unfortunate that the maps should not have been more substantially mounted and bound. They surely would not withstand much service in a railway freight office. Nevertheless, the convenience of having this material in compact form within one set of covers, cannot fail to be greatly appreciated by students of transportation. The amount of patient labor required for the compilation of such a series of maps can only be appreciated by those who have attempted work in that field.

W. Z. R.

STEELE, W. L. *The history of London and North Western Railway*. (London: Railway and Travel Monthly. 1913. Pp. 514, illus. 7s. 6d.)

DE VILLEDEUIL, P. L. *Oeuvres d'Emile et Isaac Péreire rassemblées et commentées*. (Paris: Alcan. 1913.)

WEISSENBACH, P. *Das Eisenbahnwesen der Schweiz. I. Die Geschichte des Eisenbahnwesens*. (Zurich: Füssli. 1913. Pp. vi. 264. 8 fr.)

Comparative express and parcel post manual. (Boston: N. Y. Express Audit Co. 1913. Pp. 224. \$2.50.)

The railway terminal problem of Chicago. (Chicago: City Club. 1913. Pp. ix, 98.)

Lohnstatistik des Personals der österreichischen Staatseisenbahnverwaltung nach dem Stande vom 31. 12. 1912. Four volumes. (Vienna: Hof- u. Staatsdruckerei. 1913. Pp. iii, 251; 927; 843; 293. 16 M.)

Trade, Commerce, and Commercial Crises

Markets for the People. The Consumer's Part. By J. W. SULLIVAN. (New York: The Macmillan Company. 1913. Pp. viii, 316. \$1.35.)

This is a timely and informing book on a subject, of durable importance, that has been strangely neglected alike by professors

of economics and the apostles of social service. As labor investigator in America and Great Britain for the Commission on Public Utilities of the National Civic Federation, as assistant editor with Mr. Samuel Gompers, as a diligent reader of official reports and the diverse and fruitless outgivings of ardent amateurs, and as an independent investigator during repeated and extended visits to the continent of Europe, Mr. Sullivan, for over five years, has been pretty continuously occupied with the study of public victual markets. He has produced a book that is a real contribution to the literature of the subject,—a literature, be it said, that is so singularly meager, scrappy, and inadequate, that every real contribution to it is welcome.

The book is not a treatise or handbook, although it affords a fairly comprehensive survey of the principal types of public markets at home and abroad together with a considerable amount of specific information gleaned from scattered and relatively inaccessible sources. It may be characterized as a comparative study of the existing victual markets of London, Paris, Berlin, and New York for the purpose of determining how to secure "the shortest and cheapest possible lines from the producer, near or far, to the very door of the consumers in our metropolis of New York." The author estimates that there are "a sure million" of consumers in Manhattan within about seven square miles of territory, north of the Battery.

Mr. Sullivan holds that: (1) the producer is the agent of the consumer; (2) only service for transportation and selling should be paid for in addition to the price paid the producer; (3) in New York the costs of retailing are double or treble the costs of wholesaling; (4) retailers maintain high conventional prices and do not share with the consumer the benefits arising from a seasonal plethora of produce; (5) the retailers' system is economically defective and must give way to an improved system of semi- or tri-weekly open-air markets, and the multiplication of pushcart hucksters, with full freedom to use the streets.

Consumers are urged to demand: "The streets for the people." Consumers, even the humblest, should learn to economize and exercise thrift; but to know his rights and fight for them in their good order is, principally, the consumer's part.

A good third of this book is devoted to market conditions and tendencies in London, Paris, and Berlin. "Paris presents a wider and more varied range in methods of marketing than any other of

the great cities." According to the author, one third of all food-stuffs sold in Paris is handled by pushcart and open-market vendors, despite the existence of the great Central Halls and of a score of district market halls. Open-air and street markets of the medieval type still persist in London. "Working-class London, and much of middle-class London, buy the bulk of their perishable necessities from ambulant pushcart vendors or at open-air markets. The system is at once the most ancient and the most modern." Mr. Sullivan contends that open-air markets flourish in the suburbs of Berlin, and that the substitution, in Berlin proper, of district market halls for the old weekly out-of-door markets has proved a mistaken and unprofitable policy.

He controverts the notion that municipal markets "pay," in a commercial sense, either in Europe or in this country. His figures under this head, and his criticisms of the ambitious and costly schemes for providing New York with district market halls are highly significant and cannot be ignored.

Mr. Sullivan's demand that pushcart vendors be granted free use of the streets and open places in New York will doubtless arouse opposition in many quarters; but it seems to me that the plan he proposes is eminently worthy of a fair trial.

The value of this book would be much enhanced by an index.

EDWARD M. HARTWELL.

The Trade of the World. By JAMES DAVENPORT WHEPLEY.
(New York: The Century Co. 1913. Pp. 436. \$2.00.)

After a general chapter on Trade Strategy, the author sketches in broad lines the commercial situation of thirteen selected countries or geographical units. The strength of Great Britain he attributes to her past supremacy, maintained by extensive settlement and investment abroad, but endangered by the organized attack of Germany through coöperation of the government, the banks, and the manufacturers.

The work records in a highly interesting way the impressions and conclusions of a far-traveled close observer of economic and political conditions. It is profusely illustrated by views of stock exchanges, ports and shipping, street scenes, and farming activity. The statistics also are illustrative of the author's generalizations—rather than the bases of his conclusions. Full or final treatment of the subject is disclaimed in the preface; and the announced purpose of coördinating commercial factors with a

description of various lands and their people has been well accomplished.

The book is a reprint of a series of articles published in the *Century Magazine*; this fact explains perhaps the reference to the war between Italy and Turkey as in progress (p. 219) and again to the war as ended (p. 177). The book will doubtless appeal most strongly to the reader who wishes a general estimate of the forces at work rather than painstaking accuracy and multiplicity of details that must inevitably detract from the clearness of the picture. To the economist and the statistician, the absence of citations, generalizations inadequately supported by evidence, and numerous though usually nonessential inaccuracies in the statistics quoted, are serious drawbacks.

Among the more glaring statistical errors are the number of the industrial workers in Austria, on page 150 ("over 8,000,000" instead of 3,139,000) and the average foreign trade of Russia in 1901-1905, on page 328 ("about \$350,000,000" instead of \$810,000,000).

The statistics in the table on page 42 show that the increase in the foreign trade of the United States from 1880 to 1910 was over 100 per cent (not "50 per cent"); United States commerce doubled in the decade from 1850 to 1860, contrary to the statement on page 309; and the per capita national debt of Canada is far from "the largest in the world" (p. 372). While there is an additional duty on imports into France transhipped at other European ports, there is no tariff advantage accorded to imports in French ships (p. 112). There is no legal preference in favor of French imports into Morocco (pp. 111, 203; cf. p. 210). The present tariff of the Netherlands is that of 1862, amended only in a few individual rates; and articles not specified are still free of duty (p. 136). The price of tobacco in Japan is not determined by the import duty (355, not 380, per cent ad valorem), which applies to that imported other than by the monopoly and is intended to discourage such imports (p. 299). It is difficult to see how there can be as many Italian-born in Argentina as in the United States (p. 185), when "the annual movement to Argentina now nearly equals that to the United States," while "about one half of the Italians who go to Argentina return after the harvest work is done."

The author contrasts well the exportation of food and raw materials, which require no effort to effect sales, with that of manu-

factured goods, where commercial rivalry is intense. "Big Business" is hailed as the pathfinder of foreign trade. It is maintained that trade now follows investment—not the flag. The commercial policy and the diplomatic service of Germany are held up as models. The work of American consuls, while excellent, is, in the judgment of the author, marred by lack of co-operation between the government departments and with the business interests, by the inelasticity of the tariff, and by the absence of a definite commercial policy on the part of the United States. The author repeatedly criticises the denunciation of the Russian treaty, to which he erroneously ascribes the exemption from duty of certain agricultural machinery (p. 335).

FRANK R. RUTTER.

Washington, D. C.

Buyers and Sellers in the Cotton Trade. By H. B. HEYLIN.
(London: Charles Griffin & Co., Ltd.; Philadelphia: J. B. Lippincott Co. 1913. Pp. viii, 234. \$3.00.)

The long-neglected but all-important subject of market organization is now receiving more and more attention. The chief merit of the book under review lies in its contribution to our knowledge of the methods of carrying on the English cotton goods trade and of the problems involved therein. It is not scholarly in depth of research, nor written in a coherent style; and, although not large, its size could have been lessened without seriously detracting from its value.

A brief chronology of the growth of the cotton manufacturing industry in Great Britain, with numerous quotations from Ure, is given. This is supplemented by 47 pages of statistics, mainly for the foreign trade of Great Britain in individual years. Many of these statistics are so readily available in official reports that it hardly seems worth while to reproduce them in such detail without averages or critical analysis. In a later chapter an attempt is made to show the growth of the British export trade in cotton manufactures by periods. In doing this the author laboriously sought to overcome the defects inherent in the statistics, but with little success. Because of changing prices a comparison of total values was considered inconclusive. The quantity figures for pounds of yarn and yards of cloth were likewise rejected because of the uncertain variations from year to year in the proportions of the several kinds of yarn and grades of goods. For reducing

the statistics to a common basis, the average prices of the yarn and cloth exported were used as index numbers. By this means the total values, as given in the official returns, were adjusted to show the amounts at which the annual exports would have been valued had the price levels been constantly the same as in 1896. This comparison at constant prices, however, depends fundamentally upon the average prices, which in turn were obtained by dividing the total official values by the quantities exported. If the quantity statistics were in themselves unsatisfactory for comparison, the averages obtained by using them as divisors have no superior merit.

In the chapter on the British cotton supply, although several pages are given to a quotation from the official report of a reception by His Majesty's Secretary of State for India to parties interested in the promotion of cotton culture, the description of the work of the British Cotton Growing Association is inadequate. And the statements in regard to the efforts of other countries to develop new sources of cotton supply are brief and essentially incomplete.

The author considers doubtful the theory that the decline in the average quantity of cotton consumed per spindle in Lancashire and the lessened exportations of cotton yarn have been due to the tendency to spin more of the finer counts. In support of his view the percentage changes in the quantities of yarn and cloth exported are compared with the percentage changes in the total values of these exports. The values, however, are first adjusted, by the method already explained, to the basis of constant prices. This adjustment involves the use of the quantity figures, thus invalidating the comparison. Furthermore, no allowance is made for the effect on prices of the reductions in cost which have resulted from technical improvements. The case against the "finer counts" theory does not seem to have been proven. A significant test would have been a comparison of the products of new and old mills, giving proper weight to the relative production of each grade of yarn in each case. The tables of statistics for the growth of the industry, for prices, and for the import and export trade in cotton goods in foreign countries will be found more or less convenient.

The section dealing with buying and selling seems to me to be distinctly better than the other parts of the book. The advantages to the spinners of buying their cotton in Manchester

rather than in Liverpool are stated. Numerous examples of trading methods and terms are given. And some of the questionable and vicious practices which have crept into the Lancashire trade are discussed. Among the remedies for the latter, arbitration and uniform contracts are to be noted, because of the fact that in America in the cotton goods trade and also in other trades it has been found desirable to adopt such mutually protective measures. In spite of its shortcomings the book should be of interest to business men, and the collection of these facts about the English cotton goods trade, however fragmentary, will be of assistance to students of commercial organization.

MELVIN T. COPELAND,

Harvard University.

Les Crises Périodiques de Surproduction. Vol. I. *Les Variations Périodiques des Prix et des Revenus. Les Théories Dominantes.* Vol. II. *Les Mouvements Périodiques de la Production. Essai d'une Théorie.* By ALBERT AFTALION. (Paris: Marcel Rivière et Cie. 1913. Pp. xii, 324; 418. 16 fr.)

In 1909 Professor Aftalion, of Lille, published an ingenious *Essai d'une Théorie des Crises Générales et Périodiques*, in which he sought to show that the laws of marginal utility afford a secure basis for the once discredited overproduction theory of crises. Gide and Lescure discussed the essay with interest, but did not accept its conclusions. Nothing daunted, Aftalion resumed his investigations and now issues this two-volume treatise upon business cycles. It presents much the same view as the essay of 1909, elaborated in detail, and supported by a large amount of statistical evidence. The gist of M. Aftalion's theory is as follows:

The prosperous phase of a business cycle is ushered in by a rise of the price level which promises higher profits to producers. Their efforts to take advantage of the favorable market lead on the one hand to active bidding for labor, loans, and materials, and on the other hand to an increase of orders for new industrial equipment. The increase of money incomes, produced by high profits, high interest rates, high wages, and active employment, accelerates the expansion of consumers' demand. But, when once the existing equipment has all been brought into active service it becomes difficult to increase further the current supply of consumers' goods. The industries which make industrial equipment are working at high speed, but it takes them a year or more to

complete many of their contracts. So long as the actual deliveries of new equipment lag behind the swelling demand for consumers' goods, the rise of prices continues and prosperity reigns.

This prosperous phase of the cycle lasts, on the average, about four years. During its later stages, more and more of the new equipment which has been ordered is completed and begins adding to the current supply of consumers' goods. Gradually current supply overhauls current demand, and the pressing wants for consumers' goods are measurably provided for. Then the further increments added to the supply must appeal to less intense wants. That is, there occurs a general decline in the marginal utilities of consumers' goods. Hence prices fall and prosperity ends in a crisis.

As the crisis was preceded by overproduction, so it is followed by underdemand. The fall of prices has reduced money incomes and thereby caused a rise in the marginal utility of money, which makes people unwilling to spend as freely as before (vol. II, p. 344). The supply of consumers' goods meanwhile does not decrease, except after severe panics, and then for a short time only. On the contrary, supply increases: (1) because much of the equipment contracted for in the later years of prosperity is delivered after depression has set in, and (2) because both old and new equipment represents so large an investment that it cannot be kept idle without heavy loss. Business men do, of course, stop ordering further equipment—which presently throws the producers of producers' goods out of work; but that measure affords no immediate relief from the excess of current consumers' supply above consumers' demand. Under these circumstances, prices continue to fall; profits shrink; wages and interest are reduced, and unemployment increases.

The reason why depression finally brings back prosperity is that consumers' demand goes on growing slowly, while the industrial equipment remains substantially constant or even declines somewhat as old machines are finally worn out and discarded. When at last the current demand has caught up with the current supply, prices rise once more and the cycle begins afresh.

M. Aftalion points out that this theory of business cycles is based upon two leading ideas. One is that the roundabout method of production, characteristic of capitalism, requires both a long time for the making of industrial equipment and an investment so heavy that, once made, the equipment must be kept running.

Of this idea previous writers have made effective use—for example, Spiethoff in Germany and Hull in America. But Aftalion has not only developed the consequences of the roundabout method of production more systematically than his predecessors, but he has also made a more thorough investigation into the time when new industrial equipment is ordered and the time when it is delivered ready for use (book VI). One point, however, he has not cleared up. The industries which produce producers' goods themselves use industrial equipment not less expensive than that used by the industries which produce consumers' goods. If the latter cannot afford to let their equipment stand idle during depression, how can the former afford it? Here is an exception to one of M. Aftalion's basic ideas which surely requires attention at his hands.

The second leading idea is more original and more doubtful. It is the idea that the laws of marginal utility justify the theory of general overproduction. The fall of prices which terminates prosperity is held to result from a decline in the marginal utility of consumers' goods when the current supply is largely increased. Now, granting that there is a general decline in these marginal utilities, it does not necessarily follow that the price level will fall. To maintain this thesis, M. Aftalion should show that on the average the marginal utility of money declines less rapidly than do the marginal utilities of consumers' goods. That task might not be easy in view of the facts that money incomes increase rapidly during prosperity, and that M. Aftalion is dealing, not with any single commodity, but with the whole class of consumers' goods. Moreover, he points out that money rises in estimation when incomes fall after a crisis. Whatever he might make of this problem, certainly M. Aftalion has not faced it squarely. (See for example vol. II, p. 292.)

M. Aftalion's idea is also open to a statistical objection. If the upward course of prices is really checked by the diminishing utilities of consumers' goods, then consumers' goods must be the first class of commodities to fall before a crisis. M. Aftalion betrays an uneasy feeling that the available data may not justify this corollary (vol. II, pp. 185, 202). I have had occasion to seek definite evidence upon this issue, and what I have found is all against his theory. For example, the monthly price records of 1907 indicate that in America the prices of consumers' goods began to decline later than the prices of producers' goods; and

that the prices of finished commodities began to decline later than the prices of raw materials from which they were manufactured. Moreover, a reading of American trade papers indicates that both in 1893 and in 1907 retail business continued brisk for some time after acute difficulties had appeared in financial and manufacturing circles. Into facts of this order M. Aftalion has made no adequate investigation, although they are of crucial consequence for his theory.

Another omission must be noticed, if the book is to be taken as an account of business cycles. M. Aftalion pays almost no attention to the financial side of business operations. Changes in credit, in the capitalization of business enterprises (as the phrase is usually understood), in the volume of investment loans and bank discounts, in the prices of stocks and bonds, and the like, are mentioned briefly or not at all. Perhaps this weakness of French theory is due to the strength of French finance. Still, had M. Aftalion bestowed care upon this topic, I think he would have found that even in France the stresses which disrupt the business equilibrium appear earlier in financial markets than in the markets for consumers' goods.

After all deductions have been made, however, M. Aftalion's two volumes form a notable contribution toward the understanding of business cycles. They present a large amount of statistical data, some of which are both novel and illuminating. And if the analysis is incomplete or even mistaken at certain points, it still suggests ideas which no one who deals with the subject in future can afford to neglect.

WELSEY C. MITCHELL.

Columbia University.

NEW BOOKS

BASSETT, N. N. *British commerce*. (London: Collins. 1913. Pp. 263. 1s.)

BROWN, J. B. *Causes of business depressions; or, speculations' sequence*. (East St. Louis, Ill.: Call Prg. Co. 1913. Pp. 12.)

DIEL, K. and MOMBERT, P. *Wirtschaftskrisen*. (Karlsruhe: Braun. 1913. 2.60 M.)

FALKENBURG, W. *Gewerbe und Handel*. (Leipzig: Verlag für Gewerbe & Handel. 1913. 14 M.)

HAWTREY, R. G. *Good and bad trade. An inquiry into the causes of trade fluctuations.* (London: Constable. 1913. Pp. 288. 6s.)

HICKS, DE F. *The progress of Canada in diagram, and reprint of an article on our growing trade with Canada.* (New York: F. E. Fitch. 1913. Pp. 24.)

JACKSON, C. C., assisted by A. C. COOK. *Six industrial crises.* (Boston: Geo. H. Ellis Co. 1913. Pp. 23, 11 charts.)

I am not sure that I understand Mr. Jackson's exposition of the causes which produce business crises, and therefore present what appears to be his own summary: "... it is clear that, because of the constitution of human nature, excessive construction at each of these periods, has been the chief cause of a derangement of business and of an increase of business failures, by first causing an excessive scarcity of consumable commodities, and an excessive rise in the prices of them, and an excessive exhaustion of the purchasing power of the community" (p. 18).

The chief feature of the pamphlet, however, is an interesting series of charts designed to show that 1913 is a year of crisis. Toward the close of 1912 and in the spring of 1913 there occurred a marked increase in the consumption of iron, in commodity prices, in bank loans, in discount rates, and in bond yields, and a marked decline in bank reserves and in stock prices. In six preceding American crises, Mr. Jackson finds that the same phenomena have occurred nearly or quite simultaneously. Hence we are to have, or are having, a crisis. As this prediction has been justified by the event, Mr. Jackson deserves credit as a business forecaster, for his pamphlet was issued last June.

W. C. MITCHELL.

NOGARO, B. and OUALID, W. *L'évolution du commerce, du crédit et des transports depuis cent cinquante ans.* (Paris: Alcan. 1913. Pp. 444. 5 fr.)

To be reviewed.

RAUERS, F. *Bremer Handelsgeschichte im 19. Jahrhundert.* (Bremen: Leuwer. 1913. Pp. 126.)

SCHOLZ, O. and VOGT, K. *Handbuch für den Verkehr mit Japan.* (Berlin: Heymann. 1913. Pp. viii, 550. 20 M.)

VAN METRE, T. W. *An outline of the development of the internal commerce of the United States, 1789-1900.* (Baltimore: Williams & Wilkins. 1913. Pp. 30.)

ZUBLIN, R. *Die Handelsbeziehungen Italiens vornehmlich zu den Mittelmeerländern.* Probleme der Weltwirtschaft, 16. (Jena: Fischer. 1913. Pp. xii, 415. 18 M.)

Hull as a coal port. (London: H. E. C. Newman. 1913. 2s. 6d.)

Congrès national pour la défense et le développement du commerce extérieur. (Paris: Librairies-Imprimeries Réunies. 1913.)

Accounting, Business Methods, Investments, and the
Exchanges

Mercantile Credit. By JAMES EDWARD HAGERTY. (New York: Henry Holt and Company. 1913. Pp. xii, 377. \$2.00.)

This book is divided into two parts, the first of which is called *The Origin, Development and Present Status of Mercantile Credit*, and the second, *Legislation*. As a matter of fact, it is really two books. The two parts have no organic connection.

The description of the present status of mercantile credit is clear and in most points accurate—a real contribution to the rapidly growing collection of analytical studies of modern business. It puts into concrete form a description of modern mercantile credit machinery, which should be very useful in clarifying the ideas of students. The chapter on the historical development of credit machinery is not as good. The discussions of credits among primitive peoples and of credits in Greece and Rome, even granting their accuracy, lose a good deal of their point in the light of the statement which Professor Hagerty himself makes on page 58: "Our credit system grew out of distinctly modern conditions." This chapter, with its very light skimming over history and theory, and chapters 2 and 3, which are devoted mainly to definitions, seem to be quite out of key with the remaining chapters of part I. They savor of the high-school or freshman class room, while most of the remainder of part I might be used as a real business text.

By far the best portion of the book is that which is devoted to an analysis of present-day mercantile credit and its effects (chs. 4-14). An analysis of mercantile credit as a modern institution is followed by an examination of personal credit; then are discussed, in order, the credit man, the credit office and sources of credit information, adjustment bureaus, collections, mercantile credits and depressions, and credit men's associations. However, chapter 5, covering personal credit, is distinctly not up to the quality of the other chapters; and chapter 13, while suggestive, is not very closely reasoned. This section is full of specific material, which reflects a good deal of investigation, and gives the impression that Professor Hagerty probably has plans for a considerable elaboration of the material here presented. It is full of fresh scents picked up and not followed. For instance, on page 64 he says:

It seems apparent that it is to the interest of the retailer to cash all his bills with money borrowed from banks. Many do this, and conse-

quently save from 6 to 12 per cent a year on purchases. The lack of capital of many retailers and the difficulties in the way of borrowing at banks, exclude them from this opportunity.

In this paragraph Professor Hagerty puts his finger on one of the sorest points in the struggle between the large-scale retailer and his small competitor.

Again, on pages 61 to 65, when Professor Hagerty gives us a very brief summary of the replies received from five hundred letters sent out, covering questions as to rates of discount, one cannot help wishing to know more about the character of the information which these replies contained. An investigation of this kind carried on either by letter or in person, with the results properly classified and divided, might be of great value, both as an economic study and as a contribution to the business man's knowledge of business.

In another place Professor Hagerty touches on the question of "dating" bills, by manufacturers and jobbers, but he does not develop—what has now come to be an important feature of this subject—the use of this device by manufacturers for the leveling of production peaks.

In his discussion of the relation of the mercantile credit system to the system of distribution, Professor Hagerty falls into the very common error of reasoning about the distribution system as if it were a mechanism of comparative simplicity. The five steps which he mentions in a number of places (for instance, pages 54 and 212) need some qualification which might modify his reasoning about them. Furthermore, he seems a little hasty in his anxiety to eliminate middlemen when he speaks (page 23) of the disappearance of the commission house in the textile trade as if it were an accomplished thing.

Part II of the book contains a summary of legislation on subjects related to mercantile credit. The federal bankruptcy acts of 1800, 1841, 1867, and 1898, are described, and an account is given of the conditions under which these laws were enacted. There is also a brief summary of state insolvency legislation, and there is a final chapter which gives a digest of state laws regulating the sale of goods in bulk. These laws, of which he says there were thirty-nine in effect in 1910, were all passed between 1900 and 1910 except the laws in Louisiana, Oregon, and Minnesota.

PAUL T. CHERINGTON.

Harvard University.

Economics of Business. By NORRIS A. BRISCO. (New York: The Macmillan Company. 1913. Pp. xiv, 390. \$1.50.)
Organization and Management. Modern Business, vol. II. By LEE GALLOWAY. (New York: Alexander Hamilton Institute. 1913. Pp. xix, 504.)

From a reading of the title of Mr. Brisco's book *Economics of Business*, one might infer that he was about to open a volume dealing with the study of economics with special applications to modern business. However, with the exception of the first chapter which treats briefly of the Economic Basis of Business, almost no reference is made to the economic forces which control the activities of men engaged in the production, distribution, or consumption of wealth. The volume deals almost exclusively with the technics of business. From that standpoint it has several commendable features.

Its keynote is efficiency. In chapter 4 the author shows the importance of organization and the advantages of system in a business enterprise. Efficiency is a condition determined by thorough knowledge of the business, careful study and planning of the plant, expert organization of the labor so as to secure the "maximum return for a minimum outlay," and sharp attention to the commercial aspects of an enterprise. In chapters 5 to 13 he elaborates in logical order these essentials; he sets forth the duties of the executive and the qualities needed for a successful administrator; he discusses cost accounting, factory efficiency, efficient business methods, labor efficiency, buying, selling, and advertising. Unfortunately he is not always consistent in the use of the terms *entrepreneur* and *entrepreneurship* (pp. 20, 25, 99, 107). At times he confuses the administrative functions with those of the entrepreneur. Most of the chapter on Money and Credit could have been omitted without destroying the unity of the book. The study of the origin of money, its functions, and the monetary history of the United States is necessarily meager. The space could have been more effectively used in an expansion of his discussion of credit. The last two chapters dealing with trademarks, copyrights, patents, trade names, and trade secrets are almost purely legal in their treatment.

A more copious use of illustrations drawn from the actual business world would have made the book more serviceable to students. Sometimes clearness is sacrificed for brevity. At the end of each chapter is a list of questions and a well-selected list of references.

There is a good index. As an introduction to the study of business organization and management this book can be favorably recommended to students.

The first part of Professor Galloway's book is a reproduction of his earlier work entitled *Business Organization*. With the exception of two chapters the second part is entirely new.

In part I the author surveys the economic structure of society, traces the "lines of development which have influenced the organization of modern business," explains the organization of markets and exchanges, and sets forth the nature of export business and the functions of the consular system. Then follows a detailed study of organization in manufacturing industries, in which he describes with clearness the elements "predetermining the success or failure of an enterprise," the departmental divisions and functions, the interdepartmental relations, and office systems.

Part II, *Business Management*, begins with a consideration of the general principles of management. By management the author means the direction of "forces or energy toward the fulfillment of a purpose"—the bringing of "the forces of capital, of labor and of land together in just those proportions and with such effectiveness that the highest profits will result from their combined efforts." In the chapters on Management Units and Types of Management he points out the necessity for a division into various "managerial units," the relation of these to the general manager, and the merits and defects of the different types of management. This is followed by an explanation of modern aids in management, standardization as applied to equipment and wages, and the methods of securing greater labor efficiency. The final chapters deal with the sources of administrative information, ways of effecting savings in time and materials, and office methods.

The separation of the volume into two parts involves some repetition of topics, but the treatment is from different points of view. It may, however, be doubted whether this separation really adds to clearness of presentation. With the exception of the more or less irrelevant chapters on markets, the exchange, export business, and the consular service, the author has chosen to restrict his analysis of organization and management to manufacturing concerns; and has further restricted his discussion by omitting adequate treatment of commercial aspects, such as buying, selling, advertising, credits, and collections. The proper di-

rection of such activities is quite as important to the ultimate success of a business enterprise as the "conservation of energy and the correlation of the forces of production" within the factory. This suggests that the title is too comprehensive.

Considered as an exposition of factory organization and management, the book is a worthy contribution to the literature on this subject. It is not a mere catalogue of maxims, but a logical presentation of the forces which have influenced the adoption and use of present business methods. The text is clearly and forcefully written and is enriched with numerous apt illustrations and examples. A list of references would have made it still more useful.

WILLIAM A. RAWLES.

University of Indiana.

NEW BOOKS

ALTMAYER, C. L. *Commercial correspondence and postal information.* Revised edition. (New York: Macmillan. 1913. Pp. 14, 253. 70c.)

BERNARD, A. D. *Some principles and problems of real estate valuation. Data compiled and cost prices fixed as of April 1, 1913.* (Baltimore: U. S. Fidelity & Guaranty Co. 1913. Pp. 150, illus.)

BORDWELL, G. O. *Modern banking methods as applied to the tellers and bookkeepers.* (San Francisco: Hicks-Judd Co. Pp. xvi, 122. \$2.)

BUTLER, R. S., GALLOWAY, L., AND KENNEDY, P. B. *Selling, credit and traffic.* Part I. *Selling and buying.* Part II. *Credit and the credit man.* Part III. *Traffic.* Modern business, vol. III. (New York: Alexander Hamilton Institute. 1913. Pp. xxi, 550.)

The Alexander Hamilton Institute recently has issued a much-revised edition of its well-known Modern Business series. Not only has there been a revision and rearrangement of the material constituting the various books, but their form has been altered as well. The large stiff-covered volume has been supplanted by a much smaller one, with thin paper and limp leather cover. With regard to the particular volume under consideration here, the portions on Selling and Credit, written respectively by Professors Butler and Galloway, are largely reprints, with some comparatively slight revisions, from volume IX of the earlier edition. Mr. Kennedy's section on Traffic, however, embracing 172 pages, is an entirely new contribution.

Mr. Kennedy has treated his subject in ten different chapters. Of these, the first six deal with American railway transportation, especially with reference to rates. Chapters 7 and 8 are concerned with water transportation on our island waterways, and with the export traffic of the United States. The last two chapters consider the questions of governmental regulation of the services, rates, and profits of railroads.

The work is written in an interesting style, is largely descriptive and informational rather than theoretical and argumentative and, for the well-informed student of transportation, contains but little that is new. Considering, however, the function which the book is expected to perform, and the special audience which it is designed to reach, it is worthy of a good deal of commendation. A. L. BISHOP.

DAVIS, E. D. *Grain value tables*. (Minneapolis: E. D. Davis. 1913. Pp. 255. \$1.25.) Formerly published under the title of *Tables for Wheat and Other Grain*.

DEAN, S. *Shop and foundry management*. (New York: Iron Age. 1913. Pp. 220. \$2.50.)

ECKER, A. *Kreditprobleme des kaufmännischen Mittelstandes*. (Essen-Ruhr: Verlag des Verbandes kath. kaufm. Vereinigungen Deutschlands. 1913. 1 M.)

FARRER, F. E. *The law relating to prospectuses*. (London: Effingham Wilson. 1913. 8s.)

FAYANT, F. H. compiler. *Short sales and manipulation of securities*. (New York: F. H. Fayant, 60 Broadway. Pp. 67. \$1.)

GALLOWAY, L. and HOTCHKISS, G. B. *Advertising and correspondence*. Modern business, vol. IV. (New York: Alexander Hamilton Institute. 1913. Pp. xxi, 606. \$2.50.)

In part I of this work, after a brief history of advertising, there is an excellent treatment of the psychology of advertising, technique, and the principles upon which to construct an advertisement; then follows a discriminating discussion of advertising mediums, supplementary aids, the retailer's advertising problems, the prevention of waste and the methods and functions of the advertising manager and the agency. In part II the art of business correspondence is elaborated and exemplified with discernment and precision. Business men will find this volume full of helpful suggestions. W. T. J.

GANTT, H. L. *Work, wages, and profits*. Second edition, revised and enlarged. (New York: Engg. Mag. Co. 1913. Pp. 312. \$2.)

GOFFE, W. T. *Problems in retail selling, analyzed*. (Racine, Wis.: Western Prg. Co. 1913. Pp. 119. \$2.)

HAYES, H. V. *Public utilities, their cost new and depreciation*. (New York: Van Nostrand. 1913. Pp. 262. \$2.)

To be reviewed.

HOLLINGWORTH, H. L. *Advertising and selling; principles of appeal and response*. (New York: Appleton. 1913. Pp. 12, 313. \$2.)

KIMBALL, D. S. *Principles of industrial organization*. (New York: McGraw-Hill. 1913. Pp. xiv, 272. \$2.50.)

To be reviewed.

MADDEN, J. T. *Fiduciary accounting*. (Brooklyn: W. G. Hewitt Press. 1913. Pp. 115. \$3.)

- McCLUNG, R. G. *The theory of debit and credit in accounting.* (Boston: Morgan, Mills & Co. 1913. \$1.)
- MILLES, R. *La bourse de Paris et la compagnie des agents de change.* (Paris: Victorion. 1913. 3.50 fr.)
- NEWELL, G. G. *Department store auditing.* (Chicago: Am. Audit Systems Co. 1913. Pp. 103, forms. \$10.)
- NICHOLS, F. G. and ROGERS, R. E. *A short course in commercial law.* (New York: Am. Book Co. 1913. Pp. iv, 300. 80c.)
- NICHOLSON, J. L. *Cost accounting, theory and practice.* (New York: Ronald Press. 1913. Pp. xvii, 341. \$4.)
- PAGE, E. D. *Trade morals, their origin, growth and province.* (New Haven: Yale Univ. Press. 1913. Pp. 160. \$1.25.)
- PARIS, B. J. *Hardware advertising for the retailer.* (New York: David Williams Co. 1913. Pp. vi, 183, illus.)
- VAN RIPER, W. M. *What every investor should know.* (St. Louis, Mo.: American Trust Co. 1913.)
- ROBY, J. J. *A treatise on cost accounting as applied to coal mining.* (Cleveland: Calvert-Hatch Co. 1913. \$5.)
- SCHULZE, J. W. *The American office. Its organization, management, and records.* (New York: Key Pub. Co. 1913. Pp. 380.)
Brings together the experience of the better managed offices, analyzing the elements that make for efficiency. There is description of the methods of choosing and training employees, and comprehensive treatment of the fundamental features of the most needed office records. The book is intended to serve as a standard text for the student of business, the ambitious employee, and for the executive.
- SKINNER, E. B. *The mathematical theory of investment.* (Boston: Ginn. 1913. Pp. ix, 245. \$2.25.)
To be reviewed.
- SMITH, C. W. *The world and its natural products cornered. The greatest of all crimes of all centuries.* (London: King. 1913. Pp. 14. 1s.)
- SMITH, J. S. *Practical bank calculator, as developed in actual business.* (Des Moines, Ia.: McAndrew Prg. Co. 1913. Pp. 76. \$1.50.)
- SPENCER, E. W. *The general law of suretyship, including commercial and non-commercial guarantees and compensated corporate suretyship.* (Chicago: Callaghan & Co. 1913. Pp. xx, 548. \$4.)
- SWEET, J. S. *Business practice bookkeeping.* (Chicago: Sweet Pub. Co. 1913. Pp. 192. \$1.50.)
- WHIGAM, W. H. *The essentials of commercial law.* (New York: Gregg Pub. Co. 1913. Pp. xv, 392. \$1.)

WILDMAN, J. R. *Principles of accounting*. (Brooklyn: W. C. Hewitt Press. 1913. Pp. 354. \$5.)

Bank advertising plans. (New York: Banker's Pub. Co. 1913. Pp. 198.)

Short term securities, with the important feature of each issue arranged for convenient reference. Third edition. (New York: Guaranty Trust Co. 1913. Pp. xv, 92.)

Capital and Capitalistic Organization

Express Trusts under the Common Law. By ALFRED D. CHANDLER. (Boston: Little, Brown and Company. 1912. Pp. 35. \$1.25.)

This title is given to two papers submitted by Mr. Chandler to the Tax Commissioner of Massachusetts conducting an investigation under chapter 55 of the *Resolves of 1911* requiring a report on "Voluntary Associations." The first paper was dated November 20, the second, December 6, 1911. The Tax Commissioner, upon January 17, 1912, made his report (*House Document*, No. 1646) recommending the passage of five acts of which the legislature enacted but one (*Laws 1912*, ch. 595) authorizing realty corporations. In lieu of the other four bills the legislature adopted a further resolve (ch. 113, May 21, 1912) providing for a second investigation. The scope of this resolve seems to have been studiously circumscribed, for it was to concern only holdings of stocks of so-called public service corporations as distinguished from ordinary business or industrial enterprises. The commission, under this second resolve, held public hearings at which again Mr. Chandler appeared (October 24, November 21, 1912) and made extended arguments. These later expositions of the law concerning express trusts are so illuminating and interesting that it is to be hoped that they may be included in a subsequent and comprehensive treatise which, by his long experience and his intimate knowledge of this particular branch of the law, Mr. Chandler is specially qualified to produce. The second commission submitted its report (*House No. 1788*), upon January 4, 1913, recommending five bills of which the legislature accepted more or less completely four as to matters of detail concerning particularly voluntary association holdings of stock in public service corporations (chs. 454, 499, 509, and 596), but rejected the fifth, which was intended to limit the amount of such holdings.

Having thus modified the proposals of legislation in Massachu-

setts adverse to his favorite device of Express Trusts, it is quite natural that Mr. Chandler should have directed his attention to the condition of the law concerning so-called Voluntary Associations, or, as he prefers to term them, Express Trusts under the Common Law, as distinguished from partnerships and as contrasted with corporations. His references generally are to the decided cases, principally in the courts of Massachusetts, though in his later argument he refers with just appreciation to the excellent work of Mr. John H. Sears upon *Trust Estates as Business Companies* (St. Louis: Counselor's Publishing Company, 1912); and he mentions the admirable article by Richard W. Hale, published in the *Commercial and Financial Chronicle* of New York, August 16, 1902, pp. 314-317, which should be consulted for its full and accurate statement of the history, the characteristics, and the advantages of the Express Trust. Mr. Chandler does not refer, and for his present purpose he has no need to refer, to the acute and lively discussion of Professor Maitland, in his introduction to the translation of that portion of the treatise of Otto Gierke, which he entitled *Political Theories of the Middle Ages*. In this introduction, Sinibaldi Fieschi (Pope Innocent IV) is credited with having originated the ascription of artificial entity to the corporation, a category too confined for the practical, hard-headed Englishman. This is described graphically by Professor Maitland:

For the last four centuries Englishmen have been able to say "Allow us our Trusts, and the law and theory of corporations may indeed be important, but it will not prevent us from forming and maintaining permanent groups of the most various kinds; groups that behind a screen of trustees will live happily enough, even from century to century, glorying in their unincorporatedness. If Pope Innocent and Roman forces guard the front stairs, we shall walk up the back." Behind the screen of trustees, and concealed from the direct scrutiny of legal theories, all manner of groups can flourish: Lincoln's Inn, or Lloyds, or the Stock Exchange, or the Jockey Club, a whole presbyterian system, or even the Church of Rome with the Pope at its head.

This accords with the view of Mr. Chandler, who says in substance:

Express Trusts have been in successful operation in Great Britain and America for generations and applied wisely in both hemispheres to property valued at hundreds of millions of dollars; are based upon personal responsibility and efficiency, and when properly drawn avoid no legal obligation; much less do they evade any. They avoid needless business obstacles; they require no arbitrary fixed capitalization; they can dispense with the deceptive fiction of a par value; they pro-

mote sound administration; they stimulate mercantile intercourse; and they secure a higher standard of efficiency through active Trustees than is generally attained through the usual perfunctory, often irresponsible, dummy corporate directors who fail to direct, and who, when called to account in court, are admonished that the high criterion of a trusteeship should be their canon of conduct, rather than that of a shifty directorate.

If Mr. Chandler is correct (which we do not now question) in this estimate of the superior advantages of group organization under the trust form, then upon these grounds alone he is justified in his strong and continued advocacy for its general adoption. But, going further, he indicates other reasons for preferring the trust. Among these are the constitutional protection of the Trustees as citizens in the fullest sense, which corporations are not, and immunity from unequal taxation (*Gleason v. McKay*, 134 Mass. 419), from the federal corporation tax (*Eliot v. Freeman*, 220 U. S. 178) and from prurient curiosity. The Trustee also may be freed from personal liability for any obligation which by express agreement is to be payable exclusively from the Trust Estate (*Bank of Topeka v. Eaton*, 100 Fed. 8; 107 Fed. 1003). When the estate and the exclusive power to incur obligations are properly vested in the Trustees the beneficiaries also are free from personal liability for the contracts of the Trustees.

The Express Trusts, says Mr. Chandler, put the legal estate entirely in one or more Trustees, who are not agents but principals, having the full title and control, while others have a beneficial interest in and out of the same, but are neither partners nor agents. This is the view now taken by the supreme judicial court of Massachusetts, as indicated in the recent case of *Ashley v. Winkley* (209 Mass. 509) in accord with the notable English case of *Smith v. Anderson* (15 E. L. R. Ch. D. 247), though in several earlier cases the Massachusetts court had seemed inclined to include these Trusts with associations of very different class, under the head of partnerships (*Phillips v. Blatchford*, 137 Mass. 510).

Voluntary Associations have come before the courts recently in Illinois (*Venner v. Chicago City Ry.*, 101 N. E. 949) and in New York, where they have been regarded either as quasi-corporations (*Hibbs v. Brown*, 190 N. Y. 167) or as partnerships (*Matter of Wilmer*, 153 App. Div. 804-806; *Spraker v. Platt*, 158 App. Div. 377).

But however such voluntary associations are to be regarded as to their legal characteristics, their practical utility has been vin-

icated by centuries of experience under conditions widely varying and they deserve most respectful consideration. Mr. Chandler is entitled to thanks for this plea in behalf of the Express Trusts and for that more comprehensive discussion which it is to be hoped he is yet able to publish.

FRANCIS LYNDE STETSON.

Die Konzentration im Seeschiffahrtsgewerbe. By PAUL LENZ. (Jena: Gustav Fischer. 1913. Pp. viii, 142. 4 M.)

An attempt is made in this doctor's thesis to explain and justify the modern tendency to combination among ocean carriers, whether manifesting itself in actual fusion of competing lines, or in more or less tight conferences—agreements to fix rates jointly, divide pooled earnings, or divide territory served.

The elimination of competition among carriers becomes necessary and justifiable in proportion as these carriers represent larger and larger units of specialized capital investments which can neither be withdrawn nor used in any other route than the competitive one. The railroad is the prime example of such a carrier. No one longer thinks that competition in rates among rail carriers is desirable. It has been eliminated either by government ownership of railroads, or, under private ownership, by the making of common rates by all carriers, under government sanction.

Certain ocean trade routes approach this railroad standard. Lines in the North Atlantic trade run "as if on invisible rails." Competition between them cannot result in the elimination from this route of surplus tonnage—as competition among tramps does—and its withdrawal to another market, thus reducing the supply and raising to a profitable basis the rate for ship room. The Atlantic liners must all stay in this trade; no other routes have the passengers to support them. So they combine and fix minimum passenger rates. They are safe in fixing rates that yield a good profit, for no vessels exist that could attract passengers away from those of the combining lines. Besides fixing the rates for cabin passengers, these lines pool the proceeds of the European emigrant business. They fix uniform freight rates westbound, applying on the high-class tonnage of European exports. Eastbound, the liners must be left comparatively free to meet the competition of the tramp steamers for bulky American exports. But the Liverpool conference, for instance, fixes the eastbound

rates on American *manufactures*, which the tramp cannot carry.

There are such agreements among carriers in all routes over which regular lines run. The lines are the package freight services of the sea—like merchandise cars of L.C.L. freight on the railroads. Regular lines run only between countries which have, in at least one direction, an exchange of such less-than-cargo shipments. As tramp steamers have no inland organization for collecting consolidated cargoes, these package shipments can be carried only by the regular liners which, being limited in number, combine in rates.

When this stage of regular exchange of manufactures is reached, there are the same advantages in ocean rate combinations as on the railroads. All merchants have non-discriminatory rates, fixed for long periods ahead. The carrier earns a living and can build such ships and give such service as only prosperity makes possible. An element of stability is injected into the foreign trade.

Monopoly seems to call for regulation. But in these ocean trades the present competition of routes and markets is very strong, and there is a great number of unrelated companies who are ready to establish lines in any trade whose rates have been put up to make it particularly profitable. This will long protect the shippers against extortion.

The author unfortunately could not read the 1913 House *Hearings on the So-called Shipping Trust*, which were not out until after his work was published. He ought, however, to have used the writings of Himer, the successor of Thiess as advertising manager of the Hamburg-American Line. Our 1913 *Hearings*, the *Report of the Commissioner of Corporations on Transportation by Water*, the English 1907 *Investigation of Shipping Rings* and the writings of Thiess, Himer, and Wiedenfeld in Germany, are the main sources in this new field.

E. J. CLAPP.

NEW BOOKS

ABBOTT, H. S. and others. *Corporation law*. (Chicago: Am. School of Correspondence. 1913. \$3.)

CARTER, G. R. *The modern tendency toward industrial combination in some spheres of British industry*. London School of Economics series of bibliographies by students. (London: Constable. 1913. Pp. 416. 6s.)

DANZIGER, H. K. *Die Konzentration in der badischen Brauindustrie*. (Karlsruhe: Braun. 1913. Pp. viii, 131. 2.40 M.)

- DIETZE, M. *Der wirtschaftliche Imperialismus und die Trusts.* (Charlottenburg: Soziologischer Verlag. 1913. Pp. 52. 1.60 M.)
- FLECHTER, W. M. *Corporation forms and precedents, annotated.* (Chicago: Callaghan & Co. 1913. Pp. xli, 2122. \$10.)
- GARIEL, G. *La centralisation économique en Suisse: les chemins de fer fédéraux.* (Paris: A. Rousseau. 1913. 5 fr.)
- KAUTZSCH, H. *Der internationale Tabaktrust, eine nationale Gefahr.* (Charlottenburg: Soziologischer Verlag. 1913. 0.50 M.)
- KORTHAUS, W. *Die volkswirtschaftliche Bedeutung eines deutschen Reichspetroleummonopoles.* (Karlsruhe: Braun. 1913. Pp. vii, 112. 2 M.)
- MANSFELD, R. *Kapitalkonzentration im Brauereigewerbe.* (Berlin: Parey. 4 M.)
- McINTIRE, S. A. *Washington corporations.* (Portland, Oregon: G. A. Bateson & Co. 1913. Pp. ix, 636. \$5.)
- OLLY, E. N. *Kings of wealth versus the American people; a treatise on political-economic conditions as they exist in the United States today; with a remedy for improving them.* (New York: Ogilvie. 1913. Pp. 185. \$1.)
- SPIES, G. *Zwei Denkschriften zum Petroleum-Monopol.* (Berlin: Puttkammer & Mühlbrecht. 1913. Pp. xii, 154. 2.50 M.)

In the two documents, prepared for the imperial government, and printed together in this volume, Herr Spies presents a forceful argument in favor of the establishment of a monopoly for the import and sale of kerosene in Germany. The first one, dated September, 1910, is an attempt to prove that the proposed corporation would be assured of a sufficient supply of oil from sources independent of the Standard Oil Company. The author brings forward an imposing collection of statistics, but his argument fails to carry conviction because his estimates are based on the amount of kerosene which European producers ought to be able to export, if the entire crude oil output were refined, rather than on the actual exports. The second document, a criticism of the bill accepted by the Bundesrat in the fall of 1912, and submitted to the Reichstag during the following winter, discusses a number of minor and purely technical points. At the end it calls attention to the danger involved in allowing the monopoly to be controlled, as it would be under the government's plan, by the Deutsche Bank, which has large interests in petroleum fields from which the new company would buy much of its oil.

DANA G. MUNRO.

- THORNTON, W. W. *A treatise on the Sherman anti-trust act.* (Cincinnati: W. H. Anderson Co. 1913. Pp. lxiii, 928.)
- WHERRY, W. M. *Four public utilities laws analyzed; Illinois, Indiana, Pennsylvania and West Virginia, 1913.* (Walton, N. Y.: Reporter Co. 1913. Pp. 28. 25c.)

WHITE, F. and GOLDMARK, G. *White and Goldmark on non-stock corporations*. (New York: Baker, Voorhis. 1913. Pp. vii, 725. \$5.50.)

Digest of the general corporation laws of the state of Delaware, 1913. (Wilmington: Corporation Co. of Delaware. 1913. Pp. 35.)

Illinois public utility commission law and municipal ownership law. (Chicago: W. J. Norton. 1913. Pp. 200. \$2.)

Labor and Labor Organizations

The Government of American Trade Unions. By THEODORE W. GLOCKER. (Baltimore: The Johns Hopkins Press. 1913. Pp. 228.)

Jurisdictional Disputes Resulting from Structural Differences in American Trade Unions. By SOLOMON BLUM. (Berkeley: University of California Press. 1913. Pp. 38.)

The Amalgamated Wood Workers' International Union of America. By FREDERICK SHIPP DEIBLER. (Madison, Wis.: The University of Wisconsin. 1912. Pp. 211. \$.40.)

These three volumes are studies in industrial democracy. They will prove helpful to the student of labor problems primarily because the authors have looked upon trade unions as experiments in government. A study of trade union methods and policies may throw considerable light upon present-day political problems; for, whenever conditions are similar, the trade union is likely to set in motion machinery which resembles that in operation in the state. The most important sources of information have been the valuable collections of trade union publications at the Johns Hopkins University and the University of Wisconsin. Each author has also consulted documentary material at the administrative offices of the trade unions. A clearer understanding of present industrial conditions has been gained by many personal conferences with union officials in the various cities.

The Government of American Trade Unions is the result of several years' thoughtful research. The material has been wisely selected and is satisfactorily arranged. Starting with a description of the shop meeting, the original unit of government, Dr. Glocker shows how other units of government—the local union, the district, the state, national and international associations—have gradually supplanted the original unit until today the shop is a comparatively unimportant factor in shaping the policy of the union. Among some unions the shop meetings are being dis-

continued altogether. Three conditions have been instrumental in centralizing power in the hands of the national union. First, the movement of workingmen from city to city; second, the competition between manufacturers in different places; and, third, the need of a strong central treasury. The opposition to this centralization of power has been partly, if not entirely, overcome by the support which the local unions have received from their national officials and the central fund. Adequate relief for members on a strike has not only increased international control of strikes, but has developed a desire on the part of the local unions to pay their assessments promptly, and strictly to obey the rules to be eligible to various benefits when needed.

One ideal ever in the minds of trade unionists is to unite the workers of the world into vast international unions. While this is still a dream of the future, steps in this direction have already been taken by a few prominent unions, notably the Amalgamated Society of Carpenters and Joiners and the Amalgamated Society of Engineers.

To many social workers the question, What becomes of the trade-union leader when he is defeated for re-election, is of special significance. Sometimes, but not often, he resumes his trade. Sometimes he opens a saloon and, depending upon the large number of acquaintances and friends whom he has made as a union official, meets with success. Sometimes he studies law, and more often he goes into politics. State bureaus of labor and statistics claim some ex-officials, while the federal government employs many more. On the whole, trade union leadership is a splendid preparation for political life, and this fact accounts for the large proportion of former trade unionists who are public office holders.

Perhaps the most interesting and certainly the most important chapter, as bearing directly upon the present-day movement toward direct legislation, is the one devoted to the initiative and the referendum. Although the experience of American trade unions clearly reveals very serious defects in the initiative and referendum as a form of government—principally because the members lack judgment in balloting, or they fail to vote—nevertheless, trade unions are continuing to use this system of direct legislation for any number of different purposes, and are ardent champions of the initiative and referendum in municipal and state affairs. Trade unionists, as a rule, mistrust representative gov-

ernment because "the professional representatives betray the interests of the laborers and become tools of the capitalist class."

Jurisdiction Disputes is a brief, concise statement of conditions which oftentimes seriously cripple important trade unions. Structural differences in the unions, due to differences in the industries themselves, are responsible for most of these unfortunate conflicts. These disputes center about the industrial form of organization which brings into one union not only all sub-divisions of the trade, but all the trades identified with an industry. Thus, the brewery workers union, seeking to include in its membership all men working in or about the brewery, inevitably steps upon the toes of the unions representing the other trades, *i.e.*, the engineers, the firemen, the teamsters, the painters, etc. Besides the costly battles which the United Brewery Workmen has had to fight in order to maintain its industrial union, many prolonged disputes, characterized in some cases by extreme bitterness, have troubled the Carpenters, the Wood Workers and the Furniture Workers, the United Mine Workers and the Coal Hoisting Engineers, the Typographical Union and the Machinists, the Longshoremen and the Seamen. It is interesting to note that with the one exception of the dispute between the Longshoremen and the Seamen—a singular example of two industrial unions fighting each other—the conflicts have all been between the industrial union on the one side and the trade union on the other. In view of the persistent recurrence of these disrupting conflicts, the important question in the minds of union officials and the leaders of the American Federation of Labor is whether the trade union can be made flexible enough to harmonize the old and the new types; or "whether the industrial form will develop on the ruins of the craft union and the federation." There is an unmistakable movement toward the industrial form, accelerated, no doubt, by the growing socialist faction which is fond of denouncing trade autonomy as "the application to the labor movement of the outworn principle of individualism." It is to be hoped that the writer, having made a creditable beginning, will later give us a more intensive study of this important subject.

The Amalgamated Wood Workers' International Union of America furnishes a good, practical illustration of many general principles which the other two monographs have developed. In the first place, we are permitted to see how this union, like so many other labor organizations, has gradually shifted the con-

trol and the responsibility from the shop meeting and the local group to the national union. In the second place, while the referendum has remained the favorite method of making laws and is held to be the nearest approach to a truly democratic government, we have the frank testimony of the secretary of the union, who is willing to say after fourteen years' experience that "democracy in unionism is a failure." "No fault can be found with the principles of the referendum," he adds, "because all men should have a right to a voice and a vote in the conduct and management of their organization." Finally, the Wood Workers' Union has for many years wasted its energies through internal strife and disputes with other unions. In fact, one of the most serious and bitterly fought conflicts in the history of American labor has been the jurisdictional dispute between the Carpenters and the Wood Workers. Dr. Deibler and Mr. Blum reach substantially the same conclusions by different routes: jurisdictional disputes have arisen from two fairly distinct causes—first, the overlapping of trade boundaries, and, second, the uncontrolled personal ambition of some labor leaders. Jurisdictional fights, moreover, have invariably weakened the contending unions, and, in the case of the Amalgamated Wood Workers at least, have proved disastrous. Except in a few scattered localities, the union today exercises little or no influence on the conditions of employment. The volume contains a bibliography which will serve as an excellent guide to the available material.

WILLIAM KIRK.

University of Rochester.

The American Girl in the Stockyards District. By LOUISE MONTGOMERY. (Chicago: The University of Chicago Press. 1913. Pp. 70. \$.25.)

Women in Trade Unions in San Francisco. By LILLIAN R. MATTHEWS. (Berkeley: University of California Press. 1913. Pp. 100.)

Artificial Flower Makers. By MARY VAN KLEECK. (New York: Survey Associates, Inc. 1913. Pp. xix, 261. \$1.50.)

These studies constitute a useful addition to the growing literature relating to women in industry. The report by Miss Montgomery, who is a resident of the University of Chicago Settlement, deals chiefly with the entrance into industrial life of the Americanized daughters of immigrants in the stockyards neighborhood. It is

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a study of conditions in a segregated industrial community, but a community which nevertheless resembles other foreign communities in Chicago and in other large cities of the country. What is said of the lack of preparation for industrial life, of the effects of too early employment on the health, morals, and industrial future of the girl workers, and of the attitude of the immigrant parents to child labor is in large measure true in our large foreign colonies wherever they are found. It is encouraging that some of the remedies proposed by Miss Montgomery, such as the establishment of pre-vocational classes in the elementary schools and of a vocational supervision and employment office in the central offices of the board of education, are already in progress in Chicago.

In preparing an account of trade unionism among women in the largest city of the Pacific coast while the early organizers are still living and fugitive historical materials are still available, Dr. Matthews has set an admirable example for other students. Her study is a comprehensive one that deals with the methods and circumstances of the women's organizations in fifteen different trades, and presents an analysis of the relation of women's work to men's work in the various trades discussed, together with an account of the social and industrial benefits that have come as direct or indirect results of organization. Various types of trade union structure are presented: independent women's organizations, women's unions affiliated with local men's unions, mixed unions dominated by men, and at least one example of a mixed union dominated by women—that of the United Garment Workers, in which “the men are few and the affairs of the union are entirely in the hands of the women.” A few points of special local interest should be noted, such as the rehabilitation of the trade unions after the earthquake and fire, the question of competition with Oriental labor, and the attitude of the different groups of trade union women toward California's eight-hour and woman-suffrage laws.

Artificial Flower Makers is the report of an elaborate investigation in a relatively unimportant but interesting trade in New York City. During this investigation, 114 firms, all that could be found, were visited. The maximum number of women employed in the busy season is only 4,470 and dwindles down during the

slack season to a force of 873 women, 385 of whom are employed in feather making, an alternative industry. Flower making is a low-grade industry so demoralized by the vagaries of fashion that "in more than one half of the shops the workers must expect a dull period of three or four months in every year." It is an industry requiring almost no investment in buildings or machinery, and is carried on in small insanitary shops, in factory "lofts," and by home workers in tenements, for it readily lends itself to the home-work system and the number of home workers employed is greater than the number of workers employed in shops. It necessarily follows that the industry is characterized by low wages, long hours, short seasons, cheap work, haphazard methods of training.

We scarcely need to be told that "the demand in the trade is for cheap labor and, therefore, young girls are needed; and that the wages ahead for experienced workers are too low to make it worth while to train them in a school." Of special interest are the chapters that deal with home work and with the contrast between the French and the American industry. In conclusion one wonders whether progress does not lie in the abolition rather than in the rehabilitation of this trade in New York. So long as it remains a hand trade, it is probably better suited to French than to American conditions.

EDITH ABBOTT.

Chicago School of Civics and Philanthropy.

NEW BOOKS

- BERNSTEIN, E. *Die Schneiderbewegung in Deutschland*. Vol. I. *Geschichte des Gewerbes und seiner Arbeiter bis zur Gründung des deutschen Schneiderverbandes*. (Berlin: Buchh. Vorwärts. 1913. Pp. viii, 309. 6 M.)
- BRUPBACHER, F. *Marx und Bakunin. Ein Beitrag zur Geschichte der internationalen Arbeiterassoziation*. (Munich: G. Birk & Co. 1913. Pp. 202. 3 M.)
- CAPITANT, H. *Les accidents du travail survenus aux enfants âgés de moins de treize ans*. (Paris: Alcan. 1913.)
- COLE, G. D. H. *The world of labour. A discussion of the present and future of trade unionism*. (London: Bell. 1913. Pp. vi, 443. 5s.) To be reviewed.
- COMMONS, J. R. *Labor and administration*. (New York: Macmillan. 1913. Pp. vii, 431. \$1.60.)
- This book is a collection of twenty-two articles previously pub-

lished by the author. Among them are several already familiar to followers of literature on American labor, as, for example, the chapters on American Shoemakers, 1648-1895, and An Idealistic Interpretation of History. These are the articles which were reproduced substantially from the journals in which they originally appeared in the *Documentary History of American Industrial Society*, as introductions in volumes III and VII respectively. Several of the articles deal with the problems and policies of trade unions; a few with state agencies for investigation, for the enforcement of labor laws, and for the handling of other labor problems; and a few with the activities, attitudes, and interests of labor in such matters as municipal politics and administration and the tariff. There are included also subjects not peculiarly bound up with the labor problem, as, for example, Standardizing the Home, and the Utilitarian Idealism of the University of Wisconsin. The chain of connection between the articles is stated in the preface to be the inquiry as to "how to draft and enforce the laws, how to keep the winnings of strikes—in short, how to connect ideals with efficiency." D. A. McC.

DEFOYERE, G. *La révolution syndicaliste convoyée par les catholiques sociaux. Réponse à l'abbé Desbuquois.* (Paris: Victorion. 1913. Pp. 163. 2 fr.)

FAGNOT, F. *La réglementation du travail dans les usines à marche continué.* (Paris: Alcan. 1913. 1.50 fr.)

GERLACH, K. A. *Die Bedeutung des Arbeiterinnenschutzes.* (Jena: Fischer. 1913. Pp. viii, 121. 3 M.)

GOLDMARK, J. C. *Handbook of laws regulating women's hours of labor, and a standard law embodying the best provisions of the most effective statutes now in force.* (New York: Nat. Consumers' League. 1913. Pp. 56. 15c.)

HICKS, F. C. *Aids to the study and use of law books.* (New York: Baker, Voorhis. 1913. Pp. 129. \$1.)

JANNEAU, G. *L'apprentissage dans les métiers d'art.* (Paris: Dunod & Pinat. 1913. Pp. 156. 3 fr.)

KREAL, A. *Blätter aus der Geschichte der Arbeiterbewegung Oesterreichs 1867-1894.* (Klosterneuburg: R. Grossmann. 1913. Pp. xvi, 87. 0.60 M.)

LAIDLER, H. W. *Boycotts and the labor struggle.* (New York: Lane. 1913. Pp. 488. \$2.)

To be reviewed.

LAUGHLIN, C. E. *The work-a-day girl.* (New York: Revell. 1913. Pp. 320. \$1.50.)

LINDENBERG, G. *Reichsgewerbeordnung mit dem Hausarbeit-Kinderschutz- und Stellenvermittlergesetze.* (Berlin: Lienmann. 1913. 12.50 M.)

NEARING, S. *Financing the wage-earner's family.* (New York: Huebsch. 1913. \$1.25.)

To be reviewed.

POUGET, E. *L'organisation du surmenage (le système Taylor)*. Bibliothèque du mouvement prolétarien, XV. (Paris: Rivière. 1913. Pp. 70. 0.60 fr.)

The Taylor system through French syndicalist spectacles appears as the old speeding-up system of the sweat shop reduced to a science and put into practice on a large scale. Pouget disclaims any desire to hinder real progress in industrial methods and quotes with approval Gilbreth's famous experiment in scientific bricklaying. The elimination of useless motions is approved, but the author shows that Taylor is chiefly interested in the elimination of all but the strongest, the prevention of "soldiering," the crushing of unionism, and the speeding up of the worker to the limit of his strength. The author points out that in the examples given by Taylor himself the product of the worker is often tripled or quadrupled, while his wages are never increased more than 60 per cent, thus giving to capital a larger share of the product of labor. Furthermore, it is shown that the natural result of speeding up is the lowering of the wage rate, and Pouget asserts that wages have been actually lowered where the system has been adopted in France. The most serious charge against the system is that it deprives the worker of initiative and individuality, making him simply a part of a machine, and that it breaks his health through overstrain, unfits him for parenthood, and sends him to the scrap heap while he is still comparatively young.

GEORGE LOUIS ARNER.

REELY, M. K., compiler. *Selected articles on minimum wage*. (White Plains, N. Y.: H. W. Wilson Co. 1913. Pp. 48. 25c.)

ROUGE, C. *Les syndicats professionnels et l'assurance contre le chômage*. (Paris: Rivière. 1913.)

SCHLOESSER, H. H. and CLARK, W. S. *The legal position of trade unions*. Second edition. (London: King. 1913. 10s. 6d.)

Contains the Trade Union Act of 1913 which has substantially altered the position of trade unions.

SINZHEIMER, H. *Rechtsfragen des Arbeitstarifvertrags*. Vol. 5, part 3: *Brauchen wir ein Arbeitstarifgesetz?* Schriften der Gesellschaft für soziale Reform, 44. (Jena: Fischer. 1913. 0.40 M.)

SUMIEN, P. and GROUSSIÉ, A. *Code du travail et de la prévoyance sociale*. Vol. II. *De la réglementation du travail*. (Paris: Plon-Nourrit. 1913. 5 fr.)

TOLMAN, W. H. and KENDALL, L. B. *Safety. Methods for preventing occupational and other accidents and disease*. (New York: Harper. 1913. Pp. xii, 433, illus. \$3.)

A valuable handbook of practical information in regard to safety devices and shop hygiene by the director of the American Museum of Safety. The work is divided into four parts entitled respectively: General Conditions, Danger Zones, Industrial Hygiene, and Social Welfare. In part II the various groups of industries are taken up

in detail and numerous examples are given of the work of accident elimination through safety devices and organization. Part IV gives examples of welfare work by various concerns and plans for industrial education. The book is profusely illustrated. G. L. A.

TRACY, G. A. *History of the Typographical Union*. (Indianapolis: Internat. Typographical Union. 1913.)

WAGNER, O. *Die Frau im Dienste der Reichs- Post- und Telegraphenverwaltung unter besonderer Berücksichtigung Bayerns, Württembergs und des Auslandes*. (Leipzig: Teubner. 1913. Pp. vi, 247. 5.40 M.)

WATNEY, C. and LITTLE, J. A. *Industrial warfare. The aims and claims of capital and labour*. (New York: Dutton. 1913. Pp. x, 353. \$2.)

To be reviewed.

ZIMMERMANN, W. *Rechtsfragen des Arbeitstarifvertrages*. Vol. 5, parts 1-2: *Haftung und Abdingbarkeit*. Schriften der Gesellschaft für soziale Reform, 42. (Jena: Fischer. 1913. 0.90 M.)

Accident prevention. Safety first. (Philadelphia: United Gas Improvement Co. 1913. Pp. 111, illus. 75c.)

Child labor and poverty; the papers and addresses and discussions of the ninth national conference on child labor, held at Jacksonville, Fla., March 13-17, 1913. (New York: Nat. Child Labor Com. 1913. Pp. 174. \$1.)

Factory sanitation. (Pittsburgh: Standard Sanitary Mfg. Co. 1913. Pp. xxxix, 135, illus.)

Report of proceedings at the forty-sixth annual trades union congress held in Milton Hall, Manchester, on September 1-6, 1913. (London: C. W. Bownman, secretary, London Society of Compositors. 1913. Pp. 368.)

Rapports annuels de l'inspection du travail en Belgique. (Brussels: Société Belge du Librairie. 1913. Pp. 550. 4 fr.)

Lohnstatistik des Personals der österreichischen Staatseisenbahnverwaltung nach dem Stande vom 31. Dezember 1912. (Vienna: Hof- und Staatsdruckerei. 1913. Pp. iii, 251; 927; 842; 293. 16 K.)

Money, Prices, Credit, and Banking

El Papel Moneda. By GUILLERMO SUBERCASEAUX. (Santiago: Imprenta Cervantes Delicias. 1912. Pp. 406.)

The people of Chile are suffering, as we did thirty years ago, from an unsound monetary system, which has for a long time been a disturbing factor in business and has contributed not a little to the establishment of foreign control of the industries of the country. Professor Subercaseaux is one of a group of dis-

tinguished publicists who are struggling to get their countrymen to see the evils of the situation and restore sound conditions.

The circumstances make it necessary, in the author's judgment, to offer his fellow citizens a treatise on the theory and history of paper money; but the portion of the book which may be regarded as peculiarly authoritative is, of course, that which relates to Chile, for the author is one of the leading advocates of monetary reform in his own country. The first issue of inconvertible money in Chile occurred in 1865, during the war with Spain, and consisted of inconvertible notes of the bank of Chile. Resumption was undertaken after the war, and Chile entered upon a period of bimetallism. By 1878 the falling value of silver had driven gold from circulation. The banking law of Chile, which our author tells us followed the liberal inspiration of Courcelle-Seneuil, who was at one time a professor of the University of Chile, fixed the maximum note issue at 150 per cent of the paid-up capital of the bank. Taking advantage of the needs of the government in 1878, the bank obtained the privilege of issuing its own notes in payment of public dues; in that same year the law authorized the issue of the notes without convertibility, and provided for forced circulation. This privilege was for one year, but appears to have been continued much longer. The law was modified from time to time so that there ensued in Chile typical instances of a paper money régime. Nevertheless, metallic money came into circulation in 1895, and the government undertook to put the money of the country on a sound basis. War and political causes prevented, and three or four years afterwards a run on the banks of the capital intensified the difficulties of the situation and led to an issue of government notes.

We find in Chile, according to the author, the usual evils of a paper money régime, fluctuating currency, unstable foreign exchange, with the coincident evils of inflated prices and injustice to the poor. Various attempts to put the money interests of the country on a sound basis seem to have been checked by "special interests" which, even more there than here, dominate public policy. The book is welcome as evidence of the activity in economics of our neighbors to the south.

DAVID KINLEY.

NEW BOOKS

BAYS, A. W. *Banks and banking; containing the text of the national bank act, with questions, problems and forms.* (Chicago: Callaghan & Co. 1913. Pp. 228.)

BORUSSICA, A. *Münzwesen*. Vol. IV. *Die letzten vierzig Jahre. 1765-1806*. (Berlin: Parey. 1913. Pp. ix, 645. 17 M.)

DAWSON, A. F. *The history of the first national bank in the United States*. (Chicago: Rand, McNally. 1913. Pp. 176.)

A history of the First National Bank of Davenport, Iowa, preceded by some account of banking under state laws.

EICHENSEER, K. *Die Bargeld ersparenden Zahlungsmethoden, welche durch die Reichsbank versucht worden sind*. (Würzburg: J. M. Richter. 1913. Pp. 86.)

ESPINOZA, R. *La reforma bancaria i monetaria de Chile*. (Santiago: Imprenta Barcelona. 1913.)

FISHER, I. *The purchasing power of money*. Revised. (New York: Macmillan. 1913. Pp. xxiv, 502. \$2.25.)

According to the preface, the principal changes from the first edition are corrections of misprints, additional data for the equation of exchange with the insertion of the diagram familiar to readers of the REVIEW, and an appendix on "standardizing the dollar."

GINI, C. *L'equazione dello scambio e il potere di acquisto della moneta*. (Rome: Rivista Italiana di Sociologia. 1913. Pp. 16.)

In this pamphlet Professor Gini, the brilliant mathematical economist of the University of Cagliari, discusses some of the recent literature relating to the purchasing power of money, giving special attention to the work of Professor Irving Fisher. The "equation of exchange," Gini holds, is a mere statement of identity, and hence incapable of inductive verification. It no more proves that an increase in the quantity of money increases prices than that an increase in prices increases the supply of money. Fisher's argument to the contrary (*Purchasing Power of Money*, p. 170), begs the question by assuming, for argument's sake, that prices might be doubled without doubling the purchasing power of uncoined gold. Gini's discussion of Fisher's proposals for a "compensated dollar" largely consists of rather captious criticisms of minor points. Benini's recent discussion of the effect of the increased production of gold on prices (*Giornale degli Economisti*, Nov.-Dec., 1912) is also brought under review.

A. A. Y.

HAWKS, T. R. *The debt system alias the banking system and its natural elimination in some form of centralization*. (Chicago: T. R. Hawks. 1913. Pp. 96. 25c.)

HERRICK, M. T. *Rural credit*. (New York: Appleton. 1913. \$2.)

HULTMAN, I. *Die Centralnotenbanken Europas*. (Berlin: Bank-Verlag. 1913. 4.50 M.)

INNES, A. M. *What is money?* (New York: Banking Law Journ. 1913. Pp. 32. 25c.)

JOSEPH, L. *The evolution of German banking*. (London: Layton. 1913. Pp. 124. 3s. 6d.)

This book consists of four lectures delivered by the London

manager of the Swiss Bankverein at the London School of Economics and Political Science. The subjects treated are: the economic development of Germany since 1800; land banks, mortgage banks, coöperative societies, and savings banks; the Reichsbank, the Seehandlung, and the money market; and the big banks and their relation to commerce and industry. The aim of the book, to give a comprehensive view of the German banking system, is admirable, more admirable, perhaps, than the treatment of the subjects. The sketch of the economic development of Germany is unsystematic. Very little attempt is made to trace causal relationships. The account consists, in the main, of contrasts of conditions at various periods, often in statistical form. In the second lecture, land banks, rente banks, and land cultivating banks are dismissed with a few vague generalities, while mortgage banks are discussed with a wealth of technical details. The description of the organization and workings of the Reichsbank is probably more adequate than any other part of the book. Yet this is the feature of the German banking system most familiar to outsiders. The account of the Reichsbank is broken into abruptly by a short history of the Seehandlung and just as abruptly resumed. The description of the big banks is fairly good. However, the author might well have explained more in detail the relationship between the big banks and the various industrial ventures in which they are interested. The book concludes with five statistical tables. Table I gives the population, debts, and revenue of the German Empire and the states which compose it. Table II gives the capitalization, profits, and dividends of the companies engaged in 24 groups of industries. Table III gives the capital, reserves, and investments of the nine large Berlin banks. Tables IV and V give for 15 London banks and 9 Berlin banks, a statement of liabilities and assets analyzed on the basis of realizability. Some errors occur, *e.g.*, on page 2 24,648 is said to be 17 per cent of 1,454,475, and on page 77 we are told that of an issue of £7,500,000 treasury bonds, £4,590,000 were issued in Germany and £3,060,000 in England. The book contains a great deal of information in a small compass. Perhaps it is ungracious to criticise a work which the author in his preface calls "a rough sketch."

JAMES D. MAGEE.

KAUFMANN, E. *La banque en France*. Translated from the German and brought down to date by A. S. SACKER. (Paris: Giard & Brière. 1913. 13.50 fr.)

This book, originally published in German, was reviewed in the March, 1912, number of this REVIEW (vol. II, p. 126). The translator has brought the statistics down to date, and has enriched the work with notes and appendices describing recent changes. In the appendix there is an analysis of the work of the *Commission extra-parlementaire pour la réforme bancaire*, authorized by decree of May 14, 1911.

KRAKAUER, V. *Ueber den gerechten Preis für Eisenbahnleistungen*. (Graz: Deutsche Vereinsdruckerei. 1913. Pp. 86.)

- LAMAS, D. *Reforma monetaria*. (Buenos-Aires: Compania Sud-americana de Billetes de Banco. 1913.)
- LAWSON, T. W. *High cost living*. (Scituate, Mass.: T. W. Lawson. 1913. Pp. 180, illus.)
- LEMCKE, E. *Die Entwicklung der Raiffeisen-Organisation in der Neuzeit*. (Karlsruhe: Braun. 1913. Pp. viii, 139. 3 M.)
- MACGREGOR, T. D. *Talks on thrift*. (New York: Bankers Pub. Co. 1913. Pp. 116.)
- MASSON-FORESTIER, L. *Les caisses de conversion et la réforme monétaire en Argentine et au Brésil*. (Paris: Giard & Brière. 1913. Pp. 240.)
Contains an account of monetary depreciation in Argentine and Brazil, its causes and remedies.
- MORAWITZ, K. *50 Jahre Geschichte einer Wiener Bank*. (Vienna: Heller. 1913. Pp. 80. 1.25 M.)
- MORSON, W. R. *The high cost of living and its remedy*. (Buffalo, N. Y.: Haussauer-Jones Prg. Co. 1913. Pp. 86. \$1.)
- NOGARO, B. and OUALID, W. *L'évolution du commerce du crédit et des transports depuis cent cinquante ans*. (Paris: Alcan. 1913. Pp. 444. 5 fr.)
To be reviewed.
- RATZKA-ERNST, C. *Welthandelsartikel und ihre Preise. Eine Studie zur Preisbewegung und Preisbildung. Der Zucker, der Kaffee, die Baumwolle*. (Leipzig: Duncker und Humblot. 1913. Pp. 244. 7 M.)
- ROBYNS, E. J. *Les chèques et virements postaux*. (Paris: Alcan. 1913.)
- SCOTT, W. A. *Money*. (Chicago: McClurg. 1913. Pp. 124. 50c.)
- SHIBLEY, G. H. *Stable money, new freedom, and safe banking provided for in the Democratic banking and currency bill, with three exceptions; a memorial*. (Washington: Gov. Pr. Off. 1913. Pp. 80.)
- SKEELS, I. *Cost and price; or the product and the market*. (Cleveland, O.: D. Gibson Co. 1913. Pp. 429. \$2.)
- STEINER, F. G. *Die Entwicklung des Mobilbankwesens in Oesterreich. Von den Anfängen bis zur Krise von 1873*. (Vienna: Konegen. 1913. 6.50 M.)
- SUNDHEIM, J. H. *The law of building and loan associations in Pennsylvania*. (Philadelphia: Smith-Edwards Co. 1913. Pp. 204. \$3.)
- SWOBODA, O. *Die Arbitrage in Wertpapieren, Wechseln, Münzen- und Edelmetallen*. (Berlin: Paschke. 1913. Pp. xx, 793. 18 M.)
- VINCEY, P. *Le prix de la viande à Paris*. (Paris: Dunod & Pinat. 1913. Pp. 152. 7.50 fr.)

- VON BERGEN, W. *The encyclopedia of rare coins, stamps, old books and paper money.* (Boston: W. Von Bergen. 1913. Pp. 272. \$1.)
- WESTON, J. *Dictionary of economic and banking terms.* (London: Pitman. 1913. 2s. 6d.)
- WEBB, M. DE P. *Advance India.* (London: King. 1913. 5s.)
- WILMERSDOERFFER, E. *Notenbanken und Papiergeld im Königreich Italien seit 1861.* (Berlin: Cotta. 1913. 5 M.)
- Agricultural credit banks of the world; a review of the mortgage-loan and credit systems of foreign countries.* (New York: Banking Law Journ. 1913. Pp. 40. \$1.)
- The bankers encyclopedia ("purple book").* Thirty-eighth edition. (New York: Bankers Encyclopedia Co. 1913. Pp. 191.)
- Banking law of New York. Chapter 2 of the consolidated laws and chapter 10 of 1909, including all amendments of 1913, and with notes, annotations and references.* (New York: Banks Law Pub. Co. 1913. Pp. 310. \$3.)
- History of the Chemical Bank, 1823-1913.* (New York: Chemical Nat. Bank. 1913. Pp. 166.)
- How to organize and equip a modern bank.* (Indianapolis: U. S. Bank Note Co. 1913. Pp. 69. \$1.)
- Published by a firm engaged in furnishing bank supplies. It nevertheless contains a considerable amount of convenient information in regard to establishing a bank and methods of bank accounting.
- A practical school of banking.* Five volumes. (Detroit: Houghton-Jacobson. 1913.)
- Minutes of evidence of treasury committee on the mode of issuing the dollar in the east.* Cd. 6974. (London: Wyman. 1913. 6d.)
- Proceedings of the Academy of Political Science in New York.* Vol. IV, No. 1. (New York: Columbia University. 1913. Pp. iv, 239.)
- Contains verbatim report of papers and discussions at a conference held October 14-15 on the proposed currency bill. Papers were presented by Senator Owen, ex-Senator Aldrich, and Messrs. Hepburn, Vanderlip, Willis, Sprague, Johnson, and Kemmerer.
- Seizième congrès du crédit populaire (associations coopératives de crédit).* (Paris: Alcan. 1913.)

Public Finance, Taxation, and Tariff

- The Income Tax Law of 1913 Explained.* By GEORGE F. TUCKER. (Boston: Little, Brown, and Company. 1913. Pp. xi, 271. \$1.50.)
- A Treatise on the Federal Income Tax Law of 1913.* By THOMAS GOLD FROST. (Albany: Matthew Bender & Company. 1913. Pp. xii, 242.)

A Treatise on the Law of Income Taxation under Federal and State Laws. By HENRY CAMPBELL BLACK. (Kansas City, Mo.: Vernon Law Book Company. 1913. Pp. xvi, 403. \$4.00.)

The Federal Income Tax Law. By HENRY CROFUT WHITE. (New York: The Banks Law Publishing Co. 1913. Pp. xxviii, 332.)

The above are among the first of the books called forth by the passage of the federal income tax law. All are written from a purely legal standpoint. They contain in each case the text of the law and endeavor to throw such light upon its interpretation as may be derived from judicial decisions in connection with previous income tax laws in this country, both federal and state, and from the rulings of the Internal Revenue Office and the Treasury Department with reference to the earlier federal laws. The earlier regulations issued by the Commissioner of Internal Revenue in regard to collection at the source under the present law are also included in the texts or in the form of separate pamphlets.

The earlier federal income tax acts are reprinted in appendices by all except Tucker, the Civil War legislation being given more fully by Frost and White than by Black. White and Black include also the Corporation Tax Law of 1909, and Black the existing income tax laws of the individual states and Hawaii. White gives a dated list of laws imposing income taxes in our colonies and states and in foreign countries. Tucker's work is perhaps the most compact and the most conveniently arranged and furnishes equally with the others the information at present available for the interpretation of the existing law.

H. B. G.

The Life of Thaddeus Stevens. By JAMES ALBERT WOODBURN. (Indianapolis: The Bobbs-Merrill Company. 1913. Pp. 620. \$2.50.)

The interest of this volume for the economist lies in the discussion of Stevens' views on the issue of legal tender notes and on the payment of the Civil War debt.

It is well known that Stevens in his advocacy of the first legal tender bill in the House expressed the view that the \$150,000,000 issue of legal tender notes fundable into five-twenty six per cent bonds would make it possible to place at par, within a short time, the \$500,000,000 of these bonds authorized by the act. As a

matter of fact, very few of these notes were so funded. Certain writers on the financial history of the Civil War, among whom Professor Woodburn mentions Dewey, in his *Financial History of the United States*, and Mitchell, in his *History of the Greenbacks*, have spoken of Stevens as being mistaken in his prediction. These statements Professor Woodburn shows to be inaccurate.

The bill as it passed the House conferred unlimited legal tender power on the notes and contained no provision for the deposit of these notes at interest with the government. The bill was amended in the Senate, and as finally enacted into law required that customs duties and interest on the public debt be paid in coin, and authorized the Secretary of the Treasury to receive deposits of the notes, for not less than thirty days, at five per cent interest. In Stevens' view, the depreciation of the notes, which he believed would result from the limitation of their legal tender quality, and the opportunity to make short-time deposits at interest, would work against funding into bonds; and Professor Woodburn brings out clearly the fact that in discussing the bill in its final form he asserted his belief that no such funding would take place. Stevens always maintained that, except for the Senate amendments, greenbacks would not have depreciated; that the original \$150,000,000 would have been exchanged for bonds and, when reissued, exchanged again; and that no additions to the original issue would have been necessary. For the plan as it was enacted into law he disclaimed all responsibility, and predicted not only that it could not assist in the placing of bonds, but that additional issues of notes would be shortly required. We may doubt whether the plan advocated by Stevens would have worked as he expected, but we cannot charge him with misplaced confidence in the plan finally adopted.

Professor Woodburn is evidently in sympathy with the issue of greenbacks, as well as with their use in the payment of debt when coin was not specified in the contract, and he gives a vigorous presentation of the arguments in support of these views.

H. B. GARDNER.

The Britannic Question. By RICHARD JEBB. (London: Longmans, Green and Company. 1913. Pp. 262. \$35.)

In this weighty little book the historian of the imperial conference discusses the puzzling question of how to effect a close permanent union of the self-governing states of the British Em-

pire. Shall it be by centralization or autonomy, by imperial federation or *Britannic* alliance, to use the author's phrase? Federation implies an imperial parliament controlling not only defense and foreign affairs, including trade, but to a large extent domestic concerns as well. This the author thinks impracticable; hence he argues strongly for a continuance of the existing colonial independence, together with a deliberate effort at that economic unification which underlies political unity. It is a voluntary partnership between Great Britain and her colonies, a partnership based on common economic interests, for which Mr. Jebb contends.

While the end to be attained is political, the whole problem of means is in essence economic; it comes down to a question of trade policy. If the empire is to become and remain a reality, it must be upon the basis of a practically complete economic unification. To secure this unity, Mr. Jebb would apparently be glad to "bang, bolt and bar" the door on the rest of the world. The *Britannic* states should seek for:

(1) inter-state or *Britannic* free trade, coupled with fiscal protection as against foreign countries; and (2) the extension and cheapening of maritime communications by ship and telegraph, tending to the ultimate establishment of uniform rates irrespective of distance; the object of these measures being (a) to make the most of the *Britannic* market for *Britannic* products, and (b) to unify the remaining or foreign commercial interests of the several states (p. 156).

This conception raises world issues of the gravest importance. Mr. Jebb argues that, in the absence of such obstacles as tariffs and immigration laws, finance, already internationalized, might soon reduce labor everywhere "to a common standard of wages and living approximating to that of the least advanced among the industrial proletariats of the world" (page 154). Such a leveling he is unwilling to see: moreover, labor in Australasia and western Canada is determined not to be obliged to compete with Asiatics. Hence the necessity for restrictive tariffs and immigration exclusion laws, and the ideal of an economically isolated empire sufficient to itself, and prepared to fight to keep its doors closed. The economics of Mr. Jebb's major premise will lack much of commanding universal assent among competent students; the economic soundness of his ideal will be questioned, and the adequacy of his means will be doubted. Nevertheless it is a distinct service that he performs in conceiving clearly and stating sharply the ideal and its implications. And there is a certain robust national-

ism, a glorified insularity about it, that is refreshing in these days of cosmopolitan tolerance.

Economic isolation is but one half the problem, however; economic unification within the empire is the work directly in hand, and such unification is the essential means to the desired isolation. Mr. Jebb would aim here at inter-imperial free trade, with reduction of freight and passenger rates to a uniform low level, irrespective of distance. The latter proposition could scarcely be seriously put forward except for an empire of water-borne commerce. It can hardly be regarded as more than a pious wish. As for free trade within the empire, of course the first step toward it is to destroy what free trade already exists. England ought to impose protection in order to be able to take it off in favor of the colonies, though Mr. Jebb admits that the colonies would probably prefer the existing free import rather than taxed imports with preference. He argues, however, that so long as the colonies are exporters of surplus food-stuffs, and Great Britain of manufactures, such a preferential arrangement is possible, but that the period of such possibility may soon pass. In Mr. Jebb's view, the chief obstacle to unification is the different status of labor in Britain and the colonies. Inter-imperial free trade and low uniform transportation rates would mean the grading down of colonial labor to the British level. Unless British social conditions, accordingly, are leveled up to the Australian standard, "there can be no hope of Britannic free trade and economic unification."

What of India? Would Mr. Jebb exclude it from the empire? If not, does he look for a rapid leveling up of Indian social conditions? Or will the Australians consent to compete with the Hindus? If not, will the Indians fight for the right of inter-imperial free migration? These be troublesome questions for the empire builder.

Yet further, leaving India out of the account, is it so certain that imperial patriotism will indefinitely lead six self-governing countries to trade with one another if their economic interests should lead them to trade elsewhere? All experience says no, and Mr. Jebb's contention that any possible tariff, plus colonial preference, would accomplish such a result, is a pure assumption for which the history of the existing preference certainly affords no warrant. Preference is rather a picayune device to effect so large a result.

The book is unusually clear, vigorous, and thought provoking.

The ideal of an empire pooling its economic resources and pursuing a policy of commercial isolation is definite and comprehensible. The means proposed for realizing it are, in my judgment, wholly inadequate economically to that end; but at least the fundamental importance of the economic basis for political relations is properly emphasized, while the power of legislative arrangements to control trade is largely overestimated. Mr. Jebb's work will not be overlooked by any serious student of imperial politics and trade relations.

H. R. MUSSEY.

Columbia University.

NEW BOOKS

- ARNOLD, B. H. *The fall of protection*. (London: King. 1913. 12s. 6d.)
- BORGJUS, W. *Zollpolitisches A-B-C-Buch*. (Leipzig: Duncker & Humblot. 1913. 2 M.)
- BREDT, J. V. *Die Besteuerung nach der Leistungsfähigkeit*. (Leipzig: Deichert. 1913. 4.50 M.)
- CAILLAUX, J. *L'impôt sur le revenu*. (Paris: Berger-Levrault. 1913. 3.50 fr.)
- CHASLES, P. *Une banque d'état pour le crédit local en Russie*. (Paris: Giard & Brière. 1913. 1 fr.)
- CONTI, E. *Guide du receveur particulier des finances*. Vol. I. *Renseignements généraux et surveillance des différents services*. Vol. II. *Comptabilité, caisse et portefeuille*. (Paris: Berger-Levrault. 1913. Pp. vi, 348; v, 329. 9.50 fr.)
- DAMASCHKE, A. *Die Besteuerung des Bodens. Aufgaben der Gemeindepolitik*, 1. (Jena: Fischer. 1913. 1.20 M.)
- DAVIES, G. *Report of land valuation appeals*. (London: Sweet & Maxwell. 1913. 7s. 6d.)
- DOWDING, W. E. *The tariff reform mirage*. (London: Methuen. 1913. Pp. 366. 3s. 6d.)
- EATON, A. M. *Free trade vs. protection*. (Chicago: McClurg. 1913. Pp. ix, 297. \$1.)

This is a hodge-podge of free-trade arguments, mostly of date about 1870, sandwiched with some tariff history taken mostly from Professor Taussig. It is avowedly "not an attempt at a learned book," but is controversial, aggressive, and contemptuous, and deserves no consideration.

H. R. MUSSEY.

- FANKHAUSER, W. C. *A financial history of California: public revenues, debts, and expenditures*. University of California publications in

economics, vol. 3, no. 2. (Berkeley: University of California Press. 1913. Pp. 101-408. \$2.50.)

The difficult problem of organizing the mass of material has been very well met by the author. He traces the financial history of the state, emphasizing the public revenues, through four periods, then gives a brief account of the reform in taxation recently effected, and, finally, presents the details relating to public expenditures since 1850. Official documents and court decisions have been run down and fully exploited. In so far as it goes, the treatment is exhaustive and the details are accurately set forth. The book might be criticised, however, on the ground that too much attention is given to mere detail and that it is too much a history of legislation and litigation. More space might well have been devoted to the results of the system of taxation employed. Yet the volume is a very desirable addition to the literature of state finance. H. A. MILLIS.

GUYOT, Y. *L'ABC du libre échange*. (Paris: Alcan. 1913. Pp. 212. 2 fr.)

This handy little book by the dean of the French free-trade school is just what its name implies. It covers pretty much the whole field of the protective controversy, giving the familiar arguments for protection and the no less familiar replies. The book is simply written and is full of concrete facts adduced to support the author's contentions. H. R. M.

HANSEN, T. *Hamburg und die zollpolitische Entwicklung Deutschlands im 19. Jahrhundert*. (Hamburg: Boysen. 1913. Pp. ix, 180. 3 M.)

HIRST, F. W. *Loans for war*. (London: National Peace Council. 1913.)

HOLLAND, B. *The fall of protection, 1840-1850*. (London: Arnold. 1913. Pp. 382. 12s. 6d.)

HOLLINGS, J. L. *Tables showing the average yarn number and rate of duty, cotton cloth under tariff act of October 3, 1913*. (New York: Corbett & Co. 1913. Pp. 28.)

HYDER, J. *The case for land nationalisation*. (London: Simpkin, Marshall. 1913.)

JONES, R. *The nature and first principle of taxation*. (London: King. 1913. 7s. 6d.)

To be reviewed.

JONES, W. *National and municipal finance; shewing that imperial taxes are excessive and local rates oppressive, why they are so burdensome, and how they may be relieved*. (London: Palmer. 1913. Pp. 167. 1s.)

A British manufacturer sets forth in this book with fine earnestness what he conceives to be the cause of our social ills and the remedy for them. The charges for capital are held to be unnecessary, and to be the cause of low wages, high prices, and unfortunate conditions

generally, whether the ownership of capital is concentrated or not. Capital is regarded as unproductive, and interest is referred to as an unearned increment, although the earnings of capital administered by its owners are not condemned. Evidently, the abuse of wealth by the leisure class is the genesis of these views.

The broad remedy for present conditions is suggested in the motto: "Don't borrow." It is proposed to prohibit the payment and receipt of interest, or to reduce the rate to a very low point. It is assumed that security is a sufficient incentive to the accumulation of capital and the maintenance of the existing supply. In the domain of public finance, the substitution of surplus for deficit financing is advocated, and here the familiar sinking-fund fallacy reappears. Speedy redemption of the entire debt is urged, regardless of its character. The author's plan of redemption cannot be commended, for it involves partial repudiation of the national debt and the issue of legal tender paper money.

In style the book is crude, even primitive. It is the essay of a moralist, not of an economist. O. C. L.

KENNEDY, S. F. *Kennedy's standard tax tables*. Third edition. (Chicago: Donnelley. 1913. Pp. 255. \$10.)

KENNEDY, W. *English taxation 1640-1799*. (London: Bell. 1913. Pp. vii, 199. 7s. 6d.)

To be reviewed.

LEAKE, P. D. *The use and misuse of the sinking fund*. (London: Gee & Co. 1913.)

LEMEE, A. *Manuel de l'exercice du contrôle et de la surveillance des receveurs particuliers des finances*. (Paris: Berger-Levrault. 1913. Pp. 310. 5 fr.)

LOWRIE, S. G. *The budget*. (Madison, Wis.: Wisconsin State Board of Public Affairs. 1913. Pp. xii, 259.)

Questions involved in budgetary practice, with special reference to the needs of Wisconsin, are discussed under the headings: The Preparation of the Estimates and the Vote on the Budget, The Continuing Appropriations, and The Relation of the Executive to the Budget. Then follows a useful summary of budgetary procedure in England, Germany, France, Switzerland, Belgium, Canada, the Congress of the United States, and in each of the individual states of the Union. The discussion of the policy of continuing appropriations and of permitting the governor to veto single items in appropriation bills is of special interest. The dangers involved in the last-named policy are clearly set forth.

Mr. Lowrie proposes that the preparation of the estimates should be done by a board organized somewhat as is the Board of Public Affairs in Wisconsin on which are the governor and representatives of both the administrative and executive branches of the government, while the control of the budget, during its progress through the legislature should be in the hands of a finance committee, appointed

for the full term for which the legislature is elected, a close relationship between the board and the committee being secured by the common membership of certain individuals and provisions for coöperative action on the part of the two bodies. Under such a system and with the plan of continuing appropriations, for those services which represent the definite policy of the state, "it might be advisable to confer upon the executive the power of vetoing or reducing the amounts of items so that the budget before the legislature might be held closely to the amounts determined upon by the board and the finance committee."

H. B. G.

MALLET, B. *British budgets, 1887-88 to 1912-13.* (London: Macmillan. 1913. Pp. 538. 12s.)

MATHEWS, F. *Taxation and distribution of wealth.* (New York: Doubleday, Page. 1913. \$2.50.)

MOORE, J. R. *Taxation of corporations in Illinois other than railroads, since 1872.* (Urbana-Champaign, Ill.: The University. 1913. Pp. 110. 55c.)

RIESSER, J. *Finanzielle Kriegsbereitschaft und Kriegführung.* (Jena: Fischer. 1913. Pp. 213.)

SELIGMAN, P. *La réforme fiscale.* (Paris: Girard & Brière. 1913. 7.25 fr.)

SMITH, H. E. *The United States federal internal tax history from 1861 to 1871.* (Boston: Houghton Mifflin. 1913. \$1.)

STIER-SOMLO, F. *Wehrbeitrag und Besitzsteuer, die Reichssteuergesetze vom 3. Juli 1913.* (Berlin: Kohlhammer. 1913. 4.50 M.)

STUECK, E. G. *Des Zollkrieg zwischen Frankreich und der Schweiz.* Münchener volkswirtschaftliche Studien, 124. (Stuttgart: Cotta. 1913. Pp. x, 134. 4 M.)

VANDEGRIFT, F. B. *Vandegrift's United States tariff, 1913.* Unabridged edition. (New York: F. B. Vandegrift, 15 Whitehall St. 1913. \$3.)

WALKER, A. H. *The income tax law of the United States of America.* (New York: A. H. Walker, Park Row Bldg. 1913. Pp. 132. \$1.)

WEBB, S. *What about the rates?* Fabian tract, 172. (London: Fabian Society. 1913. Pp. 12. 1d.)

WEBER, J. *Die Tabaksteuer und die Tabakabgaben-Vergütung.* (Berlin: R. von Decker. 1913. Pp. vii, 348. 6 M.)

WERNICKE, J. *Die Steuern in Deutschland. Die Besteuerung von Handel, Gewerbe und Industrie in Reich, Staat und Gemeinde.* (Leipzig: Glöckner. 1913. Pp. 91. 2 M.)

WILLIAMSON, C. C. *A reader's guide to the proceedings of the National Tax Association.* (New York: National Tax Assoc. 1913. 50c.)

WILLIS, H. T. *Scientific tariff making. A history of the movement to*

- create a tariff commission. (New York: National Tariff Commission Assoc., 1120 Woolworth Bldg. 1913. \$1.)
- YOUNG, E. H. *Our national system of finances.* (London: Smith, Elder. 1913. 6s.)
- An analysis of the federal income tax law as applied to the income of individuals.* (Philadelphia: R. M. Stinson & Co. 1913. Pp. 30.)
- Federal income tax; digest, law and record of income.* (New York: Hodenpyl, Hardy & Co. 1913. Pp. 67.)
- The income tax explained and analyzed.* (New York: C. S. Hammond & Co. 1913. Pp. 15. 10c.)
- Income tax law; analysis and history.* (New York: Harris, Forbes & Co. 1913. Pp. 87.)
- Reports from his majesty's representatives abroad respecting graduated income taxes in foreign states.* Cd. 7100. (London: Wyman. 1913. 1s. 7d.)
- Status of bonds under the federal income tax.* (New York: Standard Statistics Co. 1913. Pp. 153. \$3.)
- Trade and customs and excise revenue of the Commonwealth of Australia for the year 1912.* (Melbourne: Bureau of Census and Statistics. 1913. Pp. 629.)
- Die steuerliche Ueberlastung des deutschen Haus- und Grundbesitzes. Stenographischer Bericht der Protestversammlung vom 12. Januar, 1913.* (Berlin: Verband zum Schutze des deutschen Grundbesitzes und Realkredits. 1913. Pp. 47.)

Population and Migration

NEW BOOKS

- BREED, R. L. *The immigrant gateway; a missionary demonstration.* (New York: Missionary Education Movement of the U. S. and Canada. 1913. Pp. 40, illus. 25c.)
- BURGESS, T. *Greeks in America.* (Boston: Sherman, French. 1913. Pp. 14, 256. \$1.35.)
- CLARK, F. E. *Old homes of new Americans.* (Boston: Houghton Mifflin Co. 1913. Pp. xxvii, 265, illus. \$1.50.)
- A popular description of Austria-Hungary, its history, geography, and present-day conditions, written to awaken sympathy and interest in the people of many different races and languages who are pouring into the United States from this empire.
- COEN, G. *Il genere umano morirà di fame?* (Livorno: L. Belforte et C. 1913.)
- HALLERMEYER, A. *Rassenveredlung und Sexualreform.* (Frankfurt: Sauerländer 1913.)

VON HOFFMANN, G. *Die Rassenhygiene in den Vereinigten Staaten von Nordamerika*. (Munich: J. F. Lehmann. 1913. Pp. 235. 4 M.)

JAFFE, P. *Die eheliche Fruchtbarkeit in Baden*. (Karlsruhe: Braun. 1913. Pp. vii, 84. 1.80 M.)

JENKS AND LAUCK. *The immigration problem*. Third revised edition. (New York: Funk & Wagnalls. 1913. \$1.75.)

JOHNSON, S. C. *Emigration from the United Kingdom to North America 1763-1912*. (London: Routledge. 1913. 6s.)

LICHTENBERGER, J. P., editor. *The negro's progress in fifty years*. (New York: Annals of the Academy of Political and Social Science, vol. XLIV, no. 138 (Sept., 1913), Pp. iv, 237.)

This is a series of twenty-four papers by men, both colored and white, and chiefly resident in the South, who are in one way and another closely in touch with the concrete conditions of the race problem, and engaged in various activities for the uplift of the negro. The papers cover (1) business activities and labor conditions, (2) social conditions and problems, (3) educational progress and needs. Their chief value lies in their revelation of a new and constructive spirit on the part of the white South in its attitude toward the problem, and in the information afforded as to what is being done. The account is encouraging, even though the reader may have to allow a certain discount for enthusiasm and sentiment. The collection should prove of considerable value to a student of the race question.

A. B. WOLFE.

MARTIN, A. E. *Our negro population*. (Kansas City, Mo.: Franklin Hudson Pub. Co. 1913. Pp. 189, illus. \$1.25.)

REED, C. A. L. *Marriage and genetics; laws of human breeding and applied eugenics*. (Cincinnati: Galton Press. 1913. Pp. 183. \$1.)

Birthplaces of persons enumerated in administrative counties, county boroughs, etc., and ages and occupations of foreigners. Census of England and Wales, 1911, vol. IX. Cd. 7017. (London: Wyman. 1913. 2s. 6d.)

Second report on infant and child mortality. Supplement to the 42d annual report of the local government board. (London: Wyman. 1913. Pp. vi, 411. 2s.)

Mortality statistics, 1910. Eleventh annual report. (Washington: Department of Commerce, Bureau of Industry. 1913. Pp. 611.)

Social Problems and Reforms

NEW BOOKS

BABSON, R. W. *The future of the working classes*. Economic facts for employers and wage earners. (Boston: Babson's Statistical Organization. 1913. Pp. 76.)

A vigorous appeal for the establishment of a new system of

education which will train young people to greater efficiency. The basic evil of present-day society is seen to be an educational system which bears little relation to the life of the individual after he leaves school. The working classes are exploited because they are not properly trained either to produce or to use wealth, and a rational education with proper vocational guidance would automatically turn a larger share of the world's wealth into the hands of the workers. An outline of the author's conception of an ideal school course is presented. Study should be combined with actual work for wages, gradually increasing the time spent in wage work until graduation into active industrial life. GEORGE LOUIS ARNER.

BECKWITH, H. *German industrial education and its lessons for the United States.* (Washington: Bureau of Education. 1913. Bull. 19. Pp. 154.)

CAHEN, G. *Le logement dans les villes; la crise parisienne.* (Paris: Alcan. 1913. 3.50 fr.)

Contents that housing is only slightly determined by the laws of supply and demand for homes and that many social and administrative factors enter in. The efforts of local governments and the state to relieve the situation have been conservative and paternalistic, rather than statesmanlike and constructive. Better land taxation, restrictions upon land use to meet local needs, and a broad financial policy, would serve to increase the supply of homes and encourage home building far beyond the possibilities under the present régime. The most important part of the book is the section dealing with a constructive program of housing reform; and much that is said here would apply with equal force to the United States. C. A.

CANNON, I. M. *Social work in hospitals. A contribution to progressive medicine.* (New York: Survey Associates. 1913. Pp. xii, 257. \$1.50.)

CHAMBERNAUD, L. *L'éducation industrielle et commerciale en Angleterre et en Ecosse.* (Paris: Dunod & Pinat. 1913. Pp. 240. 4.50 fr.)

DRYSDALE, C. V. *The small family system. Is it injurious or immoral?* (London: Fifield. 1913. 1s.)

GEMUEND, W. *Die Grundlagen zur Besserung der städtischen Wohnungsverhältnisse.* (Berlin: Springer. 1913. Pp. viii, 321. 10 M.)

GIBBS, P. *First notions on social service.* (London: King. 1913. 6d.)

GORDON, E. *The anti-alcohol movement in Europe.* (New York: Revell. 1913. \$1.50.)

HENDERSON, C. R. *Social programmes in the West. Lectures delivered in the Far East.* (Chicago: University of Chicago Press. 1913. Pp. xxviii, 184. \$1.25.)

The Barrows lectures of 1912-1913, are here presented together with a short statement, by Professor E. Fuster of Paris, of the

aims of the International Association on Social Legislation. Professor Henderson outlines the "great movement in the Western world which the Germans call 'social politics'." The first lecture is general and introductory, the second deals with the relief of dependants and abnormals, the third with the treatment of the anti-social, the fourth with public health, education and morality, the fifth with movements to improve the condition of wage workers, and the final lecture is entitled, "Providing for Progress." It is unnecessary to state that the author writes clearly and with intimate knowledge of his subjects. The point of view is that of the optimistic social reformer. It may appear to some readers that Professor Henderson greatly overemphasizes the importance of Christianity and the Church as agents in bringing about improvement in social conditions.

GEORGE LOUIS ARNER.

HERMANN, H. *Beiträge zur volkswirtschaftlichen Würdigung der Reklame.* (Leipzig: Poeschel. 1913. Pp. 52. 2 M.)

JOLY, H. *La Hollande sociale.* (Paris: Bloud. 1913. Pp. 65.)

LAPAGE, C. P. *Feeble-mindedness in children of school-age. With an appendix on treatment and training.* By M. DENDY. (Manchester: The University Press. 1913. 5s.)

LEHR, A. *Wohnungsgeschichte und Wohnungsbau.* (Munich: Reinhardt. 1913. Pp. vii, 59. 1 M.)

LEWIS, E. E. *Arguments for vocational guidance.* (Charleston, Ill.: Eastern Illinois State Normal School. 1913. Pp. 36. Gratis.)

LOWELL, A. L. *Public opinion and popular government.* (New York: Longmans. 1913. Pp. xiv, 415.)

The substance of this volume was presented in lectures at Johns Hopkins University in 1909. The titles of the several parts are: Nature of Public Opinion; The Function of Parties; Methods of Expressing Public Opinion; and The Regulation of Matters to which Public Opinion Cannot Directly Apply. Appendices occupy about a quarter of the volume. The student of economics will be more particularly interested in the tabulation of the results of the referendum and initiative in America, in which the subject of voting is listed with figures showing the number of voters and results.

MACDONALD, J. R. *The social unrest, its cause and solution.* (London: Foulis. 1913. Pp. 119. 1s.)

MACMURDO, A. H. *Pressing questions; profit sharing, women's suffrage, electoral reform.* (New York: Lane. 1913. Pp. 21, 324. \$1.25.)

MAURICE, C. E. *The life of Octavia Hill.* (New York: Macmillan. 1913. \$5.)

MAUTHE, H. *Die Lebensinkommen verschiedener Berufsklassen.* (Schwenningen a. M.: Bader & Co. 1913. Pp. 95.)

MOLL-WEISS, A. *Les écoles de servantes en Belgique et en Hollande*, Le Musée Social, Mém. & Doc., Oct., 1913. (Paris: Rousseau. 1913. Pp. 8.)

MORGAN, J. *The life work of Edward A. Moseley in the service of humanity*. (New York: Macmillan. 1913. Pp. 9, 378. \$2.)

NEARING, S. *Social sanity, a preface to the book of social progress*. (New York: Moffat, Yard. 1913. Pp. 260. \$1.25.)

Dr. Nearing puts into his work an enthusiasm and freshness of style which in this book are more noteworthy than is its profundity or originality. Social sanity is conceived as involving equality of opportunity, social justice, and the conservation of life and health. It is clearly shown that our present-day society does not conform to this ideal, but that amid the chaos of social theories and movements society is evolving toward sanity. While the use of the word socialism is studiously avoided, the point of view both in social criticism and social ideals is generally in accord with the best modern socialist thought, except that the socialist prefers to look on the shortcomings of capitalist society as evidences of the immaturity of society, rather than as pathological conditions in an adult organism.

G. L.A.

NITZE, P. *Die Entwicklung des Wohnungswesens von Gross-Berlin*. (Berlin: Heymann. 1913. Pp. vi, 131. 3 M.)

PURDOM, C. B. *The garden city, an English experiment in the development of a modern town*. (New York: Dutton. 1913. \$3.50.)

RICHTER, K. E. *Commercial colleges in Germany*. (Lancaster, Pa.: New Era Prtg. Co. 1913. Pp. 38. 50c.)

SKALWEIT, A. *Die Wohnungszustände in den deutschen Grossstädten und die Möglichkeit ihrer Reform*. (Berlin: Wilhelm Ernst & Sohn. 1913. Pp. 23. 1.20 M.)

TAYLOR, G. *Religion in social action*. (New York: Dodd, Mead. 1913. \$1.25.)

VEILLER, L. *A model housing code*. (New York: Russell Sage Foundation. 1913.)

WARNER, H. S. *Social welfare and the liquor problem*. Revised edition. (Chicago: Intercollegiate Prohibition Assoc. 1913. Pp. 298. \$1.)

WEAVER, E. W., editor. *Vocations for girls*. (New York: A. S. Barnes Co. 1913. Pp. 200. 75c.)

Prepared by a committee of teachers.

WHITEHOUSE, J. H. *Essays on social and political questions*. (Cambridge: University Press. 1913. Pp. 106. 3s.)

WOODS, R. A. and KENNEDY, A. J., editors. *Young working girls. A summary of evidence from two thousand social workers*. (Boston: Houghton Mifflin Co. 1913. Pp. xiii, 185. \$1.)

The caged man. (New York: Proceedings of the Academy of Political Science. 1913. Pp. iv, 136.)

Catholic studies in social reform. I. *Destitution and suggested remedies*, by T. G. KING and others. II. *Sweated labour and the trade boards act*, by THOMAS WRIGHT and others. III. *The housing problem*, by J. B. McLAUGHLIN and others. IV. *The church and eugenics*, by T. J. GERRARD. (London: King. 1913. 7d. each.)

Ireland's hope: a call to service. (London: The Student Christian Movement, 93 Chancery Lane. 1913. Pp. 232.)

Proceedings of second national conference on housing, held in Philadelphia, Dec., 1912. (New York: National Housing Assoc. 1913.)

Questions of public policy. (New Haven: Yale University Press. 1913. Pp. 134. \$1.25.)

Addresses delivered in the Page lecture series, 1913, before the senior class of Sheffield Scientific School, Yale University. The four lectures are: "The character and influence of recent immigration," by J. W. Jenks; "The essential and unessential in currency legislation," by A. Piatt Andrew; "The value of the Panama Canal to this country," by E. R. Johnson; "Benefits and evils of the stock exchange," by W. V. King.

Report of the Chicago Vice Commission, 1911. Second edition. (Chicago: American Vigilance Assoc. 1913. 50c.)

Selected list of municipal and civic books. (New York: American Civic Bureau. 1913.)

Encouragements à la petite propriété. (Paris: Berger-Levrault. 1913. Pp. 52. 0.60 fr.)

Die Praxis der kommunalen und sozialen Verwaltung. I. *Die soziale Fürsorge der kommunalen Verwaltung in Stadt und Land.* (Tübingen: Mohr. 1913. 7.25 M.)

Insurance and Pensions

Insurance and the State. By W. F. GEPHART. (New York: The Macmillan Company. 1913. Pp. xiii, 228. \$1.25.)

Professor Gephart's book is a discussion of the question whether the state should undertake the business of insurance. Three years ago we were twenty-five years behind Europe in the development of social insurance and at that time the probability of state insurance looked no bigger on the horizon than a man's hand. To-day four states have monopolistic state workmen's compensation insurance, and several other states have competitive state compensation funds. We are certainly making up for lost time, and it is to be feared we are going into state insurance with too little thought of how serious the problems are.

While Professor Gephart devotes one chapter to a short resumé

of what has been done in state insurance in Europe and the United States, there is no serious attempt made to assess the value of state insurance by its accomplished results. The book is rather an analysis of the nature of insurance with regard especially to its adaptability to state management.

Because of its social quality, insurance requires the coöperation of the many; the individual discovers his own good in the good of the mass; and the presence of this strong social and ethical quality raises the presumption that insurance will be a proper subject for management by the state. It turns out in practice that in direct proportion as insurance is impressed with social import so far has it become a matter of state concern. So-called social insurance comes first; then, somewhat more doubtfully, comes life insurance; and then, full of serious doubt, fire insurance and other forms of property insurance. This order is hardly accidental, although the reason for fire insurance being last on the list is largely due to the presence of the conflagration hazard which makes fire insurance peculiarly a field for private enterprise. Professor Gephart treats these three forms of insurance separately and while he does not try to strike the balance for or against state insurance in any case, the way the scales tip is fairly obvious.

The compelling thought in men's minds seems to be that while the state may leave the protection of property to private enterprise, when the loss brings acute suffering the state should assume the burden of supplying protection. Again, when the need for protection is so urgent that it is compelled by the state, as for instance in the case of compulsory compensation, the state feels it peculiarly necessary to provide insurance protection, lest private supply prove inadequate.

As an alternative to state management of insurance is state control. Control as to solvency has been long admitted; we are now entering the field of control of rates and expense. Here there are peculiar technical questions which make the matter even more involved than the question of the control of railroad rates. Professor Gephart alludes to this, but does not enter into a discussion, which would require far more space than the limits of his book.

Professor Gephart's book is an adequate presentation of the subject; but it is to be feared that few of the legislators who are committing the state to insurance schemes, with little understanding of the serious technical questions involved, will take the pains to study the matter so thoughtfully.

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NEW BOOKS

- BUHLE, R. *Die Invalidenversicherungspflicht nach der Reichsversicherungsordnung.* (Stuttgart: J. B. Metzlersche Buchhandlung. 1913. Pp. 337. 3.50 M.)
- DELAITRE, J. and others. *L'assistance aux vieillards, aux infirmes et aux incurables.* (Paris: Rivièrè. 1913. Pp. 595.)
- DELAUNAY. *De l'intervention de la caisse nationale des retraites pour la vieillesse en matière d'accidents du travail.* (Paris: Rivièrè. 1913. 6 fr.)
- DU-LAS, P. *Commentaire des polices d'assurances sur la vie.* (Paris: Imprimerie des Assureurs. 1913.)
- JONES, F. R. *Digest of workmen's compensation and insurance laws in the United States, October, 1913.* (New York: Workmen's Compensation Publicity Bureau. 1913. Pp. 24. \$1.)
- KRUMBIEGEL, K. *Die schweizerische Sozialversicherung, insbesondere das Kranken- und Unfallversicherungsgesetz vom 13. Juni 1911.* Abhandlungen des staatswissenschaftlichen Seminars zu Jena, XII, 2. (Jena: Fischer. 1913. Pp. viii, 108. 3 M.)
- NEUMAN, C. *Systematisches Verzeichnis der Literatur des deutschen Sprachgebiets über das private Versicherungswesen vom Anfang des 19. Jahrhunderts bis zur Gegenwart.* (Berlin: Verlag der Zeitschrift für Versicherungswesen. 1913. Pp. xiii, 253. 4 M.)
- OTIS, S. L. *Manual of liability and compensation insurance; rules and rates for New Jersey, New York, Michigan, Minnesota, Wisconsin.* (New York: L. W. Lawrence. 1913. \$2 each number.)
- SCUDDER, W. R. *The fallacies of life insurance.* (Chicago: Barnard & Miller. 1913. Pp. 9, 314. \$5.)
- Appendices to the report of the committee appointed to inquire into the extension of medical benefit under the national insurance act to Ireland.* Cd. 7039. (London: Wyman. 1913. 1s. 7d.)
- Fire insurance laws, taxes and fees; containing a digest of the statutory requirements in the United States and Canada.* Revised to Aug. 1, 1913. (New York: Spectator Co. 1913. Pp. 489. \$5.)
- Reports of fire insurance companies for year ending December 31, 1912.* Eighth annual edition. (New York: Spectator Co. 1913. Pp. 384. \$5.)
- Die neuen Aufgaben der Sozialversicherung in der Praxis.* (Tübingen: Mohr. 1913.)

Pauperism and Charities

NEW BOOKS

- DODD, J. T. *Suggestions for amendment of consolidated orders for improvement in poor law administration.* (London: King. Pp. 23. 3d.)

- HEFFNER, W. C. *History of poor relief legislation in Pennsylvania 1682-1913*. (Cleona, Pa.: Holzapfel Pub. Co. 1913. Pp. 302. \$1.)
- MANEN, C. A. *Armenpflege in Amsterdam in ihrer historischen Entwicklung*. (Leiden: A. W. Sijthoff. 1913.)
- SANDERS, E. K. *Vincent de Paul, priest and philanthropist, 1576-1660*. (London: Heath, Cranton & Ouseley. 1913. Pp. xxi, 219. 16s.)
- SEARS, A. *The charity visitor; a handbook for beginners*. (Chicago: Chicago School of Civics and Philanthropy. 1913.)
- Forty-second annual report of the local government board, 1912-1913*. Part I: *Administration of the poor law, the unemployed workmen act, and the old age pensions act*. Cd. 6980. (London: Wyman. 1913. 1s. 4d.)
- Ein deutsches Reichsarmengesetz. Grundlagen und Richtlinien*. (Munich: Duncker & Humblot. 1913. 4.40 M.)
- Die soziale Fürsorge der kommunalen Verwaltung in Stadt und Land*. (Tübingen: Mohr. 1913. Pp. xxxii, 358. 6 M.)

Socialism and Co-operative Enterprises

- Marxism versus Socialism*. By VLADIMIR G. SIMKHOVITCH. (New York: Henry Holt and Company. 1913. Pp. xvi, 298. \$1.50.)

Those who read Professor Simkhovitch's articles on the breakdown of Marxism as they appeared in the *Political Science Quarterly* will welcome them in book form. To some it may appear that in criticising Marxian doctrine the author is slaying the slain. Yet while there have appeared many partial discussions of the extent to which Marx's forecast of economic evolution has been fulfilled, there is not available in English any summary of the facts and figures in the case so comprehensive and convenient as is here presented. There have been many admissions by eminent socialists of the untenability of this or that tenet of Marxism, but so long as the formal creed and to a less degree the actual tactics are dominated by Marxian principles, the need for a clear presentation of the case for revision is patent.

The author's familiarity with Marx and his commentators, and particularly his sympathetic attitude, make his criticism pertinent and of real value. He sets forth the historical setting and the literary forerunners of the *Communist Manifesto* and of *Capital*, while making clear the futility of the charges of plagiarism and lack of originality sometimes brought against Marx. The central thesis of scientific socialism, that economic forces now at work are making inevitably for the downfall of capitalism, is

examined in each of its aspects: the actual facts as to the concentration of wealth, the disappearance of the middle classes, the increasing misery of the working classes, the growing intensity of crises, the coming climax of class struggle, are marshalled fairly, and with as representative completeness as is easy to attain in the unsatisfactory state of first-hand investigation into many of the points touched. It would, however, have been advisable, in view of the rise in prices of the past decade, to bring down the statistics as to real wages beyond the 1902 limit here observed.

Perhaps the chief criticism which suggests itself is that the author, while recognizing in most instances the close connection between the different parts of Marx's doctrine, does not fully bring out the essential unity and logical interdependence of the whole Marxian system. The class struggle and the economic interpretation of history are treated in widely separated chapters, while the labor theory of value is treated practically as an appendix, on the ground that Marx's socialism is not based upon this theory but upon the inevitable development of economic tendencies (p. 254). Professor Simkhovitch declares elsewhere (pp. 5-6):

It is quite true that his theory of value is the central theory upon which his economic analysis of the capitalistic system rests—in short, the foundation of his economic doctrine; but this theory plays no part whatever in his socialistic doctrine, which purports to be nothing more than a demonstration that socialism is inevitable. The key to his socialist doctrine is the economic interpretation of history with the class-struggle doctrine following in its train.

This curious separation between the economic doctrines of Marx and his socialistic doctrines is surely untenable. Marx was not spinning economic theories in the air: with wonderful power of fusion and systematization, each and every part of his theory, economic or sociological, is made a link in the chain of evidence proving the coming downfall of capitalism and rise of socialism. Fundamental is the materialistic conception of history, which, with very minor exceptions, is, in Marx, identical with the class-struggle doctrine, however widely non-socialist upholders of the doctrine of the economic interpretation of history nowadays separate the two theories. Dialectic struggle is the essence of Hegelian evolution, and the materialistic conception is only Hegelianism inverted. Today class struggle is between capitalist and proletarian; the distinctive feature of capitalism is the selling of commodities for profit; a theory of value is therefore the first step

in the analysis of the working of capitalism. If we compare the two processes of creating value and of creating surplus value, Marx continues, we see that the latter is nothing but the continuation of the former beyond a certain point. Now, automatically, surplus value accumulates, capital grows, the variable portion grows less rapidly than constant capital, large numbers are unable to find employment, so that an industrial reserve army is formed, with all the consequences of increasing misery, culminating in the collapse of capitalism.

Professor Simkhovitch omits from his summary the accumulation step, and naturally finds no connection between the value theory and the industrial-reserve-army doctrine. Yet, as the most penetrating student of Marx, Dr. Veblen, has said:¹ "The law of accumulation, with its corollary, the doctrine of the industrial reserve army, is the final term and the objective point of Marx's theory of capitalist production, just as the theory of labor-value is his point of departure." The author is quite right in denying that Marx based his doctrine on the ethical implications of the surplus-value theory; and criticism of the weakness of the proof of the necessary creation of the industrial reserve army, or of the inconsistency between the cost-of-subsistence and the reserve-army theories of wages (as on p. 276) is pertinent. Yet the fact remains that whether the links be strong or weak, Marx endeavored to weld them all in a single chain.

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The French Revolution of 1848 in its Economic Aspect. Vol. I. Louis Blanc's *Organisation du Travail*. Vol. II. Emile Thomas's *Histoire des Ateliers Nationaux*. Edited by J. A. R. MARRIOTT. (Oxford and New York: The Clarendon Press. 1913. Pp. xcix, 284; 395.)

The Clarendon Press has rendered a service in making available in convenient form, in the original French, documents of such importance for the study of nineteenth century socialism as these two volumes. Louis Blanc's work is now becoming rare, while the companion volume is to be found only in the larger libraries. The glowing prospectus drawn up by the social promoter, and the chilling receiver's report, presented by the ex-manager of the National Workshops, are piquantly set side by side. The texts

¹ *Quarterly Journal of Economics*, vol. XX, p. 589.

are familiar to all students of socialism, so that it only remains to say a word as to the editor's services.

Professor Marriott has added a few explanatory notes to both texts and a concise, well-packed introduction of some 90 pages. The historical introduction, analyzing the weakness of the July monarchy and showing how France slowly slipped from Louis Philippe's grasp, is clear and illuminating. The discussion of Louis Blanc's place in the development of French socialism is somewhat less adequate, running in the well-worn groove of summaries of the position of Rousseau, Mably, Morelly and Baboeuf, Saint-Simon and Fourier. Nothing is said of Sismondi's disturbing pessimism, of Buonarotti's revival of the Baboeuf tradition, of Buchez's plan of coöperative workshops, of Considérant's extension of Fourier's system, of Blanc's contemporaries, Pecqueur and Vidal (who, it is worth noting, were on his Luxembourg Commission), or of any of the others who filled in what appears to the editor a wide gap.

The most spectacular of the economic aspects of the Revolution of 1848 was, of course, the National Workshop experiment, with representatives of nearly half the population of Paris at one time enrolled in this curious mixture of army and debating society. Professor Marriott recognizes that Blanc was not directly responsible for the crashing failure of this experiment, which was, in fact, utilized by his less radical colleague to discredit and oppose him; he contends, however, that Blanc was indirectly responsible, because of his insistent preaching of the right to work, and that under any auspices the experiment was doomed to failure. Next to the right to work, the organization of labor was the favorite cry of the Revolutionary party. Professor Marriott notes briefly the attempt made by Blanc and his Luxembourg Commission to advance this end. The third phase, the coöperative societies, is very lightly touched. It would have been well, both because of Blanc's more direct responsibility and because of the inherent interest of the movement, if the editor could have included some documents bearing on this point, as, for example, the very graphic account of the failure of the Hotel Clichy experiment, contributed to the *Economist* in 1848 by, it is understood, no less capable a critic than Walter Bagehot. But what has been done has been done well.

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NEW BOOKS

- AMERINGER, O. *Communism, socialism and the church; a historical survey.* (Milwaukee, Wis.: Social Democratic Pub. Co. 1913. Pp. 63. 10c.)
- BOHM, F. and McGRADY, C. H. *The catholic and socialism.* (Chicago: Kerr. 1913. Pp. 31. 10c.)
- BONNIER, P. *Socialisme.* (Paris: Giard & Brière. 1914. 1.90 fr.)
- COMPTON-RICKETT, A. *William Morris: a study in personality.* (New York: Dutton. 1913. \$2.50.)
- ENGLAND, G. A. *Socialism and the law; the basis and practice of modern legal procedure and its relation to the working class.* (Fort Scott, Kan.: Monitor Ptg. Co. 1913. Pp. 62. 25c.)
- ESTEY, J. A. *Revolutionary syndicalism. An exposition and a criticism.* (London: King. 1913. Pp. 212. 7s. 6d.)
To be reviewed.
- GARRIGUET, L. *L'évolution actuelle du socialisme en France.* (Paris: Bloud. 1913.)
- VON GIERKE, O. *Das deutsche Genossenschaftsrecht.* Vol. IV. *Die Statts- und Korporationslehre der Neuzeit.* (Berlin: Weidmannsche Buchh. 1913. Pp. liv, 567. 20 M.)
- GOULD, F. J. *Pages for young socialists.* (London: National Labour Press. 1913. Pp. 280, illus. 2s. 6d.)
- GREENBURG, D. S. *Socialist Sunday school curriculum.* (New York: Socialist Schools Pub. Assoc. 1913. Pp. 59. 35c.)
- HUGHAN, J. W. *The facts of socialism.* (New York: Lane. 1913. Pp. 175. 75c.)
- HYDER, J. *The case for land nationalisation.* (London: Simpkin, Marshall & Co. 1913.)
- KERR, C. H. *What socialism is.* (Chicago: Kerr. 1913. 5c.)
- KIPFER, J. *Die sozialistische Jugendbewegung in Deutschland.* (M. Gladbach: Volksvereins-Verlag. 1913. 0.60 M.)
- KLOECKER, A. *Die Konfession der sozialdemokratischen Wählerschaft 1907.* (M.-Gladbach: Volksvereins-Verlag. 1913. Pp. 126. 3 M.)
- LORULOT, A. *Les théories anarchistes.* (Paris: Giard & Brière. 1913.)
- MOODIE, W. W. *The tour of a socialist round the world.* (London: Fifield. 1913. 5s.)
- MULLIGAN, J. T. *The introduction to industrial government.* (Spokane: Indus. Gov. Assoc. 1913. Pp. 152. 50c.)
- POISSON, E. *La coopération nouvelle. Les documents du socialisme, XII.* (Paris: Rivière. 1913. Pp. 65. 0.75 fr.)

- RYAN, J. A. *Alleged socialism of the church fathers.* (St. Louis, Mo.: B. Herder. 1913. Pp. 81. 50c.)
- SWANSSON, C. E. *Social wrongs and a practical remedy; a public property reserve.* (New York: Shakespeare Press. 1913. Pp. 87. 50c.)
- TRAUTWEIN, C. *Ueber Ferdinand Lassalle und sein Verhältnis zur Fichteschen Sozialphilosophie.* (Jena: Fischer. 1913. Pp. iii. 169. 5 M.)
- WATT, F. *The Allanforth commune. The triumph of socialism.* (London: National Labour Press. 1913. Pp. 200. 2s. 6d.)
A novel dealing with the life and activities of a socialist colony.
- WEBB, S. and B. *Socialism.* (London: Longmans. 1914.)
- WEHBERG, H. *Die Bodenreform in Lichte des humanistischen Sozialismus.* (Munich: Duncker & Humblot. 1913. Pp. xiii, 170. 5 M.)
- WILLIAMS, A. *Co-partnership and profit-sharing.* (New York: Holt. 1913. Pp. 256. 50c.)

Statistics and Its Methods

- Statistik und Gesellschaftslehre.* Vol. III. *Sozialstatistik.* Part I. *Moralstatistik.* Number IV. By GEORG VON MAYR. (Tübingen: J. C. B. Mohr. 1913. Pp. 577-659. 2.40 M.)

This little book is a small division of Dr. von Mayr's as yet uncompleted monumental work entitled, *Statistik und Gesellschaftslehre*. To be exact, it is the fourth number which has appeared of his Moral Statistics, which in turn constitutes the first part of his third volume on Social Statistics. In the preface, Dr. von Mayr states that the fifth number will mark the end of his discussion of moral statistics. He took up criminal statistics in the second number, has continued the treatment in the third and fourth, and promises to finish the disquisition in this fifth number which has yet to appear. So much by way of orientation.

In this particular number, Dr. von Mayr considers statistics of crimes—statistics wherein the unit is the crime, not the criminal. He rightly takes the position that one of the tasks of criminal statistics is to make clear the burden which society bears as the result of anti-social acts. Statistics collected with the criminal as the unit do not, as can be clearly shown, portray this circumstance. Running all through this number is an undercurrent of criticism directed towards governments and officials who, for the most part, have failed to realize this. He has really given us a detailed outline of an ideal organization of this branch of criminal statistics. To an American who knows the woeful lack of

criminal statistics in this country it all seems like a far-off dream. Still we are assured that the age of miracles is not passed, and it may be that in the near future we shall witness the curious spectacle of our various governmental officials perusing these pages with the grim determination of organizing at least one branch of criminal statistics in a thoroughgoing way.

An interesting side-light on the difficulty of interpreting the criminal statistics of a foreign government is furnished by Dr. von Mayr's analysis of the German practice of compilation. One learns, in the first place, that the so-called German Criminal Statistics deal with but two of the three groups of crimes against the laws of the Empire. The minor crimes (*Uebertretungen*) are not considered at all; nor do these statistics include the crimes against the laws of the separate states. Certain definite groups are likewise omitted. Crimes committed by persons in the army and the navy, crimes against the tax laws and finally crimes against forestry laws are separately compiled. All countries have peculiarities of this sort; and it is not too much to say that the reader's inevitable impression will be that it is at the present time impossible to obtain a comprehensive survey of the crimes of any one nation.

While this number is largely given over to the details of organization, it includes several tables of crimes, some of which yield information of considerable value. The statistics of felonies and misdemeanors against the laws of the Empire go back to the year 1882. During the period which has followed, there has been a change in the make-up of this criminal budget. Crimes against the person now constitute a larger per cent of the total than they did in the eighties and early nineties. On the other hand, crimes against property and crimes committed while in office have followed the contrary course of development. Considering all crimes together, there has been an absolute decrease in proportion to population since the year 1894, largely due, however, to the falling off in the crimes against property.

The influence of the seasons on crimes is touched upon. Crimes against the person occur more frequently during the months of May, June, July, August, and September, while crimes against property are more likely to take place during the months of October, November, December, January, and February. March and April are the best months from the point of view of security. Dr. von Mayr does not attempt to specify what these influences

are which come with the change in seasons. They are complex, and he is certain that they do exist.

As interesting a table as any which the author presents is the one relating to the probability of discharge. This, he shows, varies greatly for the different crimes. It is lowest for the crime of resistance to executive officials and for serious cases of larceny, and highest for the crimes of perjury, false swearing, and misrepresentation. The receiver of stolen goods also stands a fair chance of acquittal.

Dr. von Mayr's style is always a test of the linguistic ability of the foreigner. It is no doubt his scientific trend of mind that leads him to give most of his attention to the facts. The work would gain by a clearer presentation of these facts. It cannot, however, be denied that Dr. von Mayr has given us the best treatise on criminal statistics that there is. This number, as well as the second and third, is a mine of information, and will be used as a reference book by all who are interested in this branch of statistics.

LOUIS N. ROBINSON.

Swarthmore College.

NEW BOOKS

CASTLE, C. S. *A statistical study of eminent women.* (New York: Science Press. 1913. Pp. 90. \$1.)

FORCHER, H. *Ueber die theoretischen Grundgedanken der Kriminalstatistik.* (Brünn: Irrgang. 1913. Pp. 46.)

FORCHER, H. *Die statistische Methode als selbständige Wissenschaft.* (Leipzig: Veit. 1913. Pp. vi, 365. 10 M.)

GIFFEN, R. *Statistics.* (London: Macmillan. 1913. Pp. xiii, 485. \$2.)

To be reviewed.

HICKMANN. *Atlas statistique, 1914.* (Paris: Haar & Steinhert. 1914. 5 fr.)

KAUFMANN, A. *Theorie und Methoden der Statistik. Ein Lehr- und Lesebuch für Studierende und Praktiker.* (Tübingen: Mohr. 1913. Pp. xii, 540. 16 M.)

The author is professor of statistics in the Frauenhochschule and Handelhochschule of St. Petersburg. The work is divided into two parts—a theoretical and a practical. In discussing the theoretical basis of statistical methods the author aims to appeal to the non-mathematical student and reader. This point of view will be of particular interest to American students, who have not generally

given as much attention as the English to the mathematical aspects of the subject.

The method of treatment and the outline of the discussion are not new, but the principles and methods are abundantly illustrated by material drawn not only from Russian practice, which will be of interest to American students, but also from other sources. The work neither aims to furnish a history of method and theory, nor to describe completely statistical practice in the countries mentioned.

Part I discusses the content and sphere of statistical method, the law of large numbers, type and variation, statistical method in relation to induction, and the relation of law to freedom of the will. Part II deals with the methods of gathering and analyzing social statistics. The importance of a full preliminary knowledge of the problem to be investigated, the common sources of error, and the decision as to the trustworthiness of the data are strongly emphasized. The organization of the actual investigation, the schedule, the enumeration, the monographic and representative methods of inquiry, the theory of sampling, tabulation, averages, and the graphic method are all discussed in detail and illustrated with facts not only from Russian practice but also from other sources.

ROBERT E. CHADDOCK.

KING, W. I. *Exercises in statistical method*. Parts I and II. (Madison: University Coöperative Assoc. 1913. Pp. 49, 40c.)

SIMON, E. *Statistische Taschenbuch für das Deutsche Reich*. (Berlin Bodenburg. 1913. Pp. 210. 1 M.)

The Canada year book 1912. Second series. (Ottawa: Census and Statistics Office. 1913. Pp. xvi, 470.)

General statistics of cities, 1909. (Washington: Bureau of the Census. 1913. Pp. 197.)

Official year book of the commonwealth of Australia. No. 6. (Melbourne: Bureau of Census and Statistics. 1913. Pp. xl, 1236.)

Contains authoritative statistics for the period 1901-1912 and corrected statistics for the period 1788 to 1900.

Beiträge au Arbeiterstatistik. No. XII: *Gebiete und Methoden der amtlichen Arbeitsstatistik in den wichtigsten Industriestaaten*. (Berlin: Heymann. 1913. Pp. vii, 695.)

Statistisches Jahrbuch der Stadt Berlin. 32. Jahrgang, *enthaltend die Statistik der Jahre 1908 bis 1911 sowie Teile von 1912*. (Berlin: Stankiewicz' Buchdruckerei. 1913. Pp. xxiv, 1018.)

DOCUMENTS, REPORTS, AND LEGISLATION

Industries and Commerce

PHILADELPHIA RAPID TRANSIT REPORT. Comprehensive, thorough (with due regard to the limitations imposed by its purpose), and explicative to a degree not often found in reports dealing with practical problems under conditions requiring rapid compilation and prompt publication, the *Report of Transit Commissioner, City of Philadelphia* (July, 1913; vol. I, text and tables, pp. xiv, 267; vol. II, maps and plans 1 to 69) is a model piece of work of its kind. It treats of civil engineering questions including geological formations, street-traffic conditions to be dealt with in construction work; traffic engineering matters, in great detail, including an estimate of present and future traffic by locality or origin, direction of travel, and time of day, for which detailed traffic surveys by trip-count and otherwise were made; the relation of traffic to density of population and to housing conditions; the benefit to the public, chiefly in terms of time saved, from quicker transit; the gain to the city from increase in the assessed value of real estate affected by the new lines; financial aspects of construction and operation; and requisite enabling laws. The method is moderately but adequately comparative with regard to the experience of other large American cities, that is, New York, Chicago, and Boston. The study is profusely supported by maps, cartograms, diagrams, and plans, mainly about 2 feet by 18 inches in size.

The Philadelphia Rapid Transit Company in general charges 3 cents for an exchange ticket between surface lines. But there are free transfers between the Market Street subway and outlying surface lines, and this would be an important feature of the plan for new lines. In Manhattan and The Bronx, though free transfers between surface lines are usual within each system, there are no free transfers between street-surface and rapid transit lines. But the through rapid transit ride obtainable is much longer than elsewhere and the topography of Manhattan Island also tends to make such a ride quite generally complete and sufficient. A study of the fare-zone charts of the report in hand does not show New Yorkers at a disadvantage; but the charts do not show all the facts, that is, as regards journeys not merely centrifugal or centripetal with reference to City Hall.

Measured by the underlying plan and purpose of a rapid transit system, Boston may be considered at one pole and Manhattan-The Bronx at the other. The subway and elevated lines may be devoted to lessening congestion in the inner city while for the rest constituting

hardly more than terminal facilities for surface service; or they may constitute a comprehensive street-railway system designed to bring outlying districts nearer in point of time and cost to the business center than is possible for a street-surface system or a mixed system. The Philadelphia plan leans toward the former class. Transfers from street-surface lines are essential. Some attention is also given to possible future connection with steam railroad lines. The New York plan approaches the other extreme.

The difference between Manhattan and Philadelphia in density of population, which is strikingly in evidence in the contrast presented by maps 9 and 10, is doubtless sufficient reason for a less extended system or through rapid transit service in Philadelphia than in New York. From City Hall (New York) to 242d Street is a distance of nearly 14 miles in a direct line. The longest rapid transit line recommended for immediate construction in Philadelphia takes the passenger nearly 7 miles from City Hall (map 43). But the population residing within walking distance of the Interborough subway as operated in 1910 probably exceeded the entire population of Philadelphia. This difference is due mainly to different housing conditions. Can a "City of Homes" support a comprehensive purely rapid-transit system on a 5-cent fare? Probably not. In New York practically all new residential construction along the subway to its termini has been of the 5-story-apartment-house type.

One of the most distinctive and interesting things in the report is the study of time-saving by rapid transit. The difference between maps 24 and 25, a "before and after" comparison for Philadelphia, is certainly striking. Computed time-saving is used ingeniously in estimating the traffic to be obtained by the new lines (pp. 70 and 80). The report arrives at a lump valuation for time saved by reckoning it at 15 cents an hour and capitalizing the annual saving at 5 per cent (p. 72). If we must have a dollar-and-cent valuation, this is as good a way as any. But, in the long run, will the people of our cities spend much less time in going to and from work because of rapid transit? Will not the effect rather be in part a gain of more room and better living conditions, and in part merely greater agglomeration of population?

The estimate of future population increase, upon which the success of a rapid transit plan quite directly depends, is correctly stated to be conservative. It is assumed that population will increase at substantially the same arithmetical rate as has held for the past decade. Through the use of an increasing figure for per capita rides, a moderate

allowance is made for the tendency of traffic to increase at a greater rate than population. But no allowance is made for the reaction of the provision of rapid transit facilities upon the rate of growth of population itself. Reference is made to the extent to which the economic or industrial interests of Philadelphia have been developed as "individual communities" (p. 123). Altogether, one wonders whether such conservatism may not err by excess, just as too heavy a charge for depreciation may result in depriving stockholders and others of their due.

Such a report, which is but one of a considerable class of a similar nature, is one among many encouraging signs of the tendency of American municipalities to avail themselves more and more of competent expert advice and statistical investigation.

G. P. WATKINS.

Under the existing law the census of manufactures of the United States is taken every fifth year. The Bureau of the Census is now engaged in the preliminary work incident to the enumeration that will cover the year 1914. Like the censuses of 1904 and 1909 this canvass will be confined to the establishments conducted under the factory system as distinguished from the neighborhood, household, and hand industries. The act of Congress of March 6, 1902, limited the census to this class of establishments and reduced the number of establishments to be canvassed.

The bureau is now corresponding with manufacturers and associations of manufacturers, chambers of commerce, boards of trade, etc., for the purpose of securing their coöperation in taking the census and of obtaining suggestions in regard to improvements in the form of the schedules. Work has also been started on the lists of names and addresses of manufacturers. Director William J. Harris thinks that in some respects the next census of the manufactures will be the most important that has been taken during recent years. He desires to have the preliminary work entirely completed and in perfect shape to begin the enumeration during the first part of January, 1915. He also desires to have the form of the schedules established as quickly as possible so that a wide distribution can be made. At the last census a number of manufacturers suggested that if they had been given a copy of the census form during the first part of the year to be covered by the enumeration they would have been enabled to keep their books in such a manner as to permit them to make census reports promptly, thus greatly assisting in the completion of the enumeration.

It has been the experience of the bureau that it requires practically

one year to make the canvass and to collect the reports from all manufacturers. It is hoped that by perfecting the preliminary arrangements and having the machinery in shape to begin active work immediately after the close of the period to be covered it will be possible to greatly advance the date of completing the canvass and also the date of publishing the results.

Hon. David J. Lewis, representative from Maryland, has prepared a *Brief for a General Parcel Post* (Washington, 1913, pp. 58). In this he argues for an increase of the weight limit to 100 lbs., a zone system of 100 miles to each zone, a rate of $\frac{1}{2}$ cent per lb. for each zone plus the initial charge of 3 cents, arbitrary, for the first pound. He believes that the agricultural industry, particularly suburban gardening, will receive a great quickening by the changes recommended.

The *Sixth Annual Address of J. Hampton Moore*, president of the Atlantic Deep Waterways Association on "Eastern Waterways Needs," delivered at Jacksonville, Florida, in November, 1913, was printed in the *Congressional Record*, December 1, 1913, and has been issued as a reprint (Washington, p. 14).

Mr. Arthur V. White has prepared for the Commissioner of Conservation of Canada an exhaustive report on *Long Sault Rapids, St. Lawrence River*. This is an inquiry into the constitutional and other aspects of the project to develop power from this source (Ottawa, 1913, pp. 384). It contains the incorporation papers of the Long Sault Development Company, the opinion of its unconstitutionality by Attorney General Carmody of New York, and various memoranda in regard to congressional legislation. There are also included documents dealing with the incorporation of the St. Lawrence Power Transmission Company of Canada. Extracts from various hearings are added.

The Agricultural Experiment Station of the University of Illinois has published a third pamphlet dealing with economic factors in cattle feeding. Circular No. 169 is entitled *A Review of Beef Production in the United States*, by H. W. Mumford and L. D. Hall (Urbana, Sept. 1913, pp. 28). This contains interesting maps showing routes of early shipments of cattle, and the number and value of cattle other than milch cows in 1910.

The *Cost of Milk Production* is treated in Extension Bulletin No. 2, of the New Hampshire College and Experiment Station, by Fred Rasmussen (Durham, June, 1913, pp. 20). From data of a herd of 326 cows, it is found that the return from \$1.00 for food consumed,

varied from 93 cents to \$2.21; that it cost to produce a quart of milk 2.4 cents; and to produce a pound of butter fat, from 23 to 48 cents. The production necessary for profit ranges from 6,000 to 8,000 pounds of milk per cow.

The Department of Agriculture of Canada has issued a bulletin on *Milk Production in Canada*, by J. H. Grisdale (Ottawa, Bulletin No. 72, 1913, pp. 190).

The New York State Department of Labor has issued *First Annual Industrial Directory of New York State, 1912* (Albany, 1913, pp. cclxiv, 562). The volume is divided into three parts: (1) Description of cities and villages with reference to features of importance from the standpoint of industrial organization; (2) Conditions relative to population, agriculture, banking, hours of labor, etc.; (3) Register of factories, with the name, street, address, product, and number of employees.

The Bureau of Foreign and Domestic Commerce has published in Special Agents Series, Bulletin No. 76, *Commerce and Industries of Canada and Newfoundland*, by A. G. Robinson (Washington, 1913, pp. 94); and Bulletin No. 74, *Linen, Jute and Hemp Industries in the United Kingdom, with Notes on the Growing and Manufacture of Jute in India*, by W. A. G. Clark (pp. 72).

Anticipating an increasing interest in South America, the Department of Commerce has issued a bibliographical summary of its *Publications on South America* (Washington, Misc. Series No. 12, pp. 11). In Miscellaneous Series No. 6 C, it describes under *Promotion of Commerce* the service which is maintained by various bureaus of the federal government for the benefit of those engaged in foreign operations (pp. 28).

From the same department also is received *Russia, A Handbook on Commercial and Industrial Conditions*, by J. H. Snodgrass (Special Cons. Rep. No. 61, pp. 254). This contains a map showing development of railways in Asia.

The Commissioner of Conservation of Canada has published *Forest Inspection in Canada, 1912*, by Clyde A. Leavitt (Ottawa, p. 173). This deals more particularly with protection from railway fires, the brush disposal problem, the use of oil as locomotive fuel from a fire protective point of view, and forest planting.

Corporations

The *Report of St. Louis Public Service Commission to the Municipal Assembly of St. Louis on the Southwestern Telegraph and Telephone Company* (1913, pp. 152) is devoted almost exclusively to a consideration of a valuation of the company's property in St. Louis and East St. Louis. A short time before the valuation was completed the legislature of Missouri created a state public service commission with power to regulate the rates for service in the various cities. The valuation, made in accordance with the action of the municipal assembly, will therefore be of service to the state commission instead of the municipal assembly.

The commission excluded all toll line property and included the remainder of the assets in St. Louis and East St. Louis. The report is significant mainly for its treatment of depreciation as related to valuations for rate-making purposes. It adopted the same method as that employed in the valuation of the United Railways of St. Louis, and quotes in full the appendix of that report bearing on depreciation. This appendix was originally written by Mr. James E. Allison, the chief engineer in charge of the valuation both of the telephone and telegraph property and of the railway property. The propositions upon which the valuation was based are as follows:

The larger properties have an approximately constant normal theoretical value at which the plant gives good service to the public.

To produce this normal value the cost of the property in the service of the public was 100 per cent and the public cannot be served without devoting 100 per cent to the service.

It is therefore just that the investors be rewarded by the public for the cost of the property in the service of the public unless it can be shown that they (the investors) have been paid back a part of their 100 per cent by the public.

In the case of a heretofore unregulated property it cannot be shown that the company should have set aside depreciation charges to accumulate a fund equal to the theoretical depreciation for such a fund would be needless.

If then we are to claim that the investors have been paid back the theoretical depreciation we must assume that such reimbursement has been made from excess profits over a legitimate return. Otherwise they have not been paid back.

A legitimate return was what the investors could make under the then existing laws and therefore there could be no excess over legitimate returns unless illegally made.

It might be claimed that a legitimate return was only a reasonable return but such an argument is unsound and if admitted as a principle it leads inevitably and directly to the right to deprive people of property legally acquired in the past, merely because we think their profits were too high.

At bottom and when clearly analyzed, this is what deductions for depreciation mean in public valuation.

In public service enterprises it frequently happens that there have been small or no profits, but even if they seem to have been large, to claim that the investors have been reimbursed for depreciation by excess profits in the past is to deprive them of a part of their legitimate past profits to create a needless depreciation fund and is equivalent to regulating profits in the past by enactments today. This is clearly in the nature of an *ex post facto* proceeding and should be inadmissible as a matter of law or as a matter of justice.

The conclusion seems clear then that in all ordinary cases of heretofore unregulated properties we can not justly depreciate to obtain fair value unless we admit the justice of *ex post facto* laws or equivalent regulation, or unless we interpret fair value to mean market value and not just amount.

Since depreciation is not a just deduction from the value and since, according to the report, the original cost of the property represents the present investment, the investigation is simplified into a study of what the property originally cost. However, for the valuation of land the commission did not take the same view. It took as the basis of such valuation the present market value, not considering value for special use to the present holder. It also points out with some pride that since the publication of its report the United States Supreme Court has also taken a similar point of view in the Minnesota rate case.

It seems to me, that the depreciation theory of the St. Louis commission is based upon an erroneous view of the nature of capital and expense. All outlays are capital outlays for a manufacturing concern unless they are considered with reference to a period of time. The supplies of coal used in the production of gas represent a capital investment for the gas company, but if a report for one year be constructed, all of that coal, which has been used in the production of gas sold to the consumers, becomes an expense to the amount of its original cost. It was a part of the cost of a commodity or service which was sold at a profit or loss. The expenditure leaves no property in the hands of the company except the profit on sales. In the same way an outlay for a machine represents an expense if we take a period long enough to cover the machine's life. Depreciation represents a means of distributing the expense over the period. For the business man, a machine is capital having some similarity to insurance paid in advance. Both should be marked off over the period for which the outlay constitutes an expense. The fact that a plant consists of an organization of a large number of machines does not alter the nature of the case.

It may be, as the report indicates, that the residual, theoretical value of the machinery seldom falls below 50 per cent of original cost

in the case of a plant which has been properly maintained, and that the maintenance of the original investment (on the old theory discarded by the commission) would require the remaining 50 per cent or 45 per cent, as the case might be, to consist of a depreciation fund. The report errs, I believe, if it assumes that this depreciation fund must be held in cash. The capital of the company is maintained in accordance with law whether this fund is invested in improvements, in working capital, or any other asset. In the case of a public service property, enough of the fund should be held in available form to provide for renewals.

As a result of this conception of the nature of capital and expense there is, in my opinion, an error in regard to profits. If a company turns back to stockholders the balance of income expense outlays excluding depreciation as an expense, it thereby impairs its capital and pays to the investors the profits of the year plus a part of their investment. There is no *ex post facto* action involved in recognizing that capital is not something permanent. If a stockholder should enter suit to enjoin the impairment of capital by such dividends it is possible that he might succeed in his enterprise, although the courts also have shown confusion in dealing with depreciation.

University of Texas.

SPURGEON BELL.

The American Civic Federation has recently published *Commission Regulation of Public Utilities, a Compilation and Analysis of Laws of Forty-Three States and of the Federal Government for the Regulation by Central Commissions of Railroads and other Public Utilities* (Traffic Service Bureau, Chicago, 1913, pp. 1284). This represents a part of the investigation which was planned for the federation by a committee known as the Department on Regulation of Interstate and Municipal Utilities. The detailed analysis of American statutes is arranged by states under chapter headings. These titles are as follows: Organization of Commissions; General Powers of Commissions; Basis of Rate-Making; Establishment and Change of Rates; Publicity of Rates; Discrimination in Rates of Service; Service; Safety of Operation; Accounts; Reports; Franchise; Stock and Bond Issues. Intercorporate Relations; Commission Procedure and Practice; and Enforcement.

Apparently there is some question as to whether the investigation will result in anything more positive than this summary of existing law. Early in 1913 the department adopted a model bill for regulation to be introduced into the various state legislatures, in the hope that this

would lead to more scientific and uniform regulation. This was opposed by some connected with public utility companies on the ground that the bill was too radical; consequently, further consideration was given. A conference at Atlantic City, organized by the American Electric Light Association, appointed a committee to confer with the Department on Regulation of the National Civic Federation. Conferences were held at different times and the bill was gone over and revised.

In May, 1913, a new draft was submitted to the National Civic Federation for issue. The American Electric Light Association and allied companies then entered their protest with the National Civic Federation against the issue of the bill, with the request that the matter be referred back to the Department on Regulation for further consideration. This was done, and in November the council of the Department held another long session and went over the matter in detail. Once more the bill was submitted to the National Civic Federation, which is now considering whether it shall put out the bill against the protest of several utility interests.

A valuable compilation on *Laws on Trusts and Monopolies, Domestic and Foreign*, by J. J. Speight, clerk of the Committee on the Judiciary of the House of Representatives, and Nathan B. Williams, for the use of the Committee on the Judiciary, has been prepared (Washington, Dec. 1, 1913, pp. 438). This contains the laws of the United States, Great Britain, Cape of Good Hope, Australia, New Zealand, and Japan.

Dealing with the railway question are the following pamphlets: *The Railway Situation and Its Causes, an Address Delivered before the Transportation Club of Indianapolis*, September 29, 1913, by Blewett Lee (pp. 9); *Connecticut and the New Haven Road, an Address to the Chamber of Commerce of New Haven*, by Howard Elliott, November 9, 1913, (pp. 19); an *Address to the Lotus Club of New York*, by Howard Elliott, December 13, 1913 (pp. 19). *Addresses at the Annual Dinner of the Railway Business Association*, December 13, 1913, by H. Edward J. Cox and E. B. Leigh, have also been printed in pamphlet form (Frank W. Noxon, secretary, Railway Business Association, 30 Church Street, New York).

The address on *Franchise Values*, by W. M. Wherry, Jr., before the Annual Convention of the American Electric Railway Association (Oct. 14, 1913), has been printed in pamphlet form by the American Electric Railway Association (pp. 12).

Labor

RECOMMENDATIONS FOR UNEMPLOYMENT STATISTICS. In view of the inadequacy of unemployment statistics as they have in the past been collected, there is special interest in recommendations made by an expert committee representing the international associations for statistics and for unemployment. The committee agree upon the importance of adequately measuring a social phenomenon that is exceptionally liable to prejudiced estimate. They recommend a more frequent, general, and uniform gathering of statistics. With special reports before them, printed in *La Statistique du Chômage* (*Travaux des Commissions Spéciales nommées par l'Institut International de Statistique et l'Association Internationale pour la Lutte contre le Chômage présentés par G. Von Mayr et Louis Varlez*, Gand, Belgium, Société Coopérative "Volksdrukkerij," 1913, pp. 186), they conclude that an occupational or industrial census, despite the faults incidental to it, is a necessary prerequisite to an estimate of the importance of unemployment. One chief source of imperfection, hitherto, has been that workmen hesitate to admit to the census taker that they belong to the unemployed. The question should be, "Did you work on (date)?" "For whom did you work?" When the first question is answered negatively, the cause and circumstances of unemployment must be asked for. The usual census information (age, sex, etc.) must be secured for all the unemployed. If possible, local and regional inquiries should supplement the general census.

The committee agree that the best device for measuring the fluctuations of unemployment and the percentage of persons unemployed is the collection of trade union unemployment statistics by the government. In the United States only two or three states perform this function. These trade union figures are held to be more valuable than those for the number of days on which out-of-work benefit has been payable. All countries should use the same forms of question, and their inquiries should be detailed enough to permit grouping the unemployed according to occupation and locality. Only by periodic inquiries can a measure be found for casual labor, or resort to short-time arrangements. There is much in the report of the committee, partly printed in duplicate in English and German, which should interest officials planning to measure unemployment.

R. W. FOERSTER.

EMPLOYMENT IN IRON AND STEEL INDUSTRY. By a resolution of the United States Senate passed June 23, 1910, the Bureau of Labor

was "directed to investigate and report to the Senate as early as possible as to the conditions of employment prevailing in the iron and steel industry of the United States, with the details concerning the wages paid, the hours of labor per day and the number of days' labor per week, and the number employed."

This report has been published as follows: *Report on Conditions of Employment in the Iron and Steel Industry in the Iron and Steel Industry in the United States*. Vol. I. *Wages and Hours of Labor* (pp. xiii, 580); Vol. II. *Wages and Hours of Labor. General Tables* (pp. v, 1058); Vol. III. *Working Conditions and the Relations of Employers and Employees* (pp. 594); Vol. IV. *Accidents and Accident Prevention* (pp. 350). Prepared under the direction of CHARLES P. NEILL, Commissioner of Labor. (Washington, Sen. Doc. No. 110, 62d Cong., 1 Sess. 1913.)

Volumes I and II contain the report on wages and hours of labor which was presented in July, 1911. The investigation was comprehensive both territorially and as to the varied branches of the industry, and the data presented cover approximately 82 per cent of the employees. The wage statistics are particularly striking in revealing that almost exactly half of the employees are unskilled laborers receiving less than 18 cents an hour. Probably the greatest interest has been aroused, however, by the evidence relating to the prevalence of the twelve-hour day and the seven-day week. The form of presentation has been particularly grateful to the large proportion of the public who are not trained statisticians. Over 1,000 pages of statistical matter is segregated in the second volume, leaving the first volume manageable and attractive. Another valuable feature of this first report is the general description of the equipment and method of operation in each department of the modern steel mill, supplemented by a brief but very instructive statement of the duties and nature of work of each class of laborers in each operation.

Volumes III and IV have been issued during the past summer. The latter deals with accidents and their prevention. After the presentation of the accident record of the industry in general the five-year record of a plant with a well-developed safety system is shown by way of contrast and suggestion. Other chapters discuss the organization of a safety department, direct safeguarding methods, accident relief and compensation systems. Seventy photographs of safety appliances are shown.

Volume III is the most valuable part of the report. A description of the modern works and of the workmen employed in it prepares the

reader for the discussion of the relations of workmen with employers. Wages and hours of labor are the general subjects with special discussion of the seven-day week, the twelve-hour day, overtime, irregularity of employment, time and methods of wage payment, trend of wages and relation of wages to costs and profit. Changes in conditions since the first section of the report was prepared are clearly indicated. The introductory chapter is a very helpful summary of the volume.

This report as a whole is noteworthy among government publications for three things: first, the humanitarian view point; second, the willingness to make definite recommendations; third, the presentation of material in a manner indicating a desire to reach and influence the general public. Especially noticeable is the strong argument for the introduction of the eight-hour day.

G. P. WYCKOFF.

Grinnell College

The Bureau of Mines has made an exhaustive study of *Coal-Mine Accidents in the United States and Foreign Countries* (Washington, Bulletin No. 69, pp. 102). This investigation, under charge of Frederick W. Horton, was begun in 1911. As far as possible the statistics are analyzed for the period 1896-1912, during which an increasing amount of coal was produced per man, and the increase in individual production was accompanied by greater risk. The report is supplied with numerous diagrams and well-digested tables, and a brief bibliography.

Of interest also in connection with the subject of mining accidents is *Mine-Accident Prevention at Lake Superior Iron Mines*, by Dwight E. Woodbridge (Washington, Bureau of Mines, Technical Paper No. 30, 1913, pp. 38).

In the same series is to be noted *Metal-Mine Accidents in the United States During 1912*, by Albert H. Fay (Washington, Bureau of Mines, Technical Paper No. 61, pp. 76).

The United States Department of Labor has issued *Wages and Hours of Labor in the Cigar and Clothing Industries, 1911 and 1912* (Washington, Sept. 2, 1913, Bulletin No. 135, pp. 80); and *Wages and Hours of Labor in the Boot and Shoe, and Hosiery and Knit Goods Industries, 1890-1912* (Bulletin 134, pp. 112).

In the Industrial Accidents and Hygiene Series, the Department of Labor has published *Dangers to Workers from Dusts and Fumes, and Methods of Protection* (Aug. 12, 1913, Bulletin No. 127, pp. 22; plates

62), prepared by William C. Hanson of the Massachusetts State Board of Health.

Another of this series is *Hygiene of the Painter's Trade*, by Dr. Alice Hamilton (May 13, 1913, Bulletin 120, pp. 68).

The State Board of Health of Ohio is making a survey of occupational diseases, which will continue throughout the year. A public campaign is being conducted by means of a travelling Health Exhibit, stereopticon lectures, and appropriate articles in a monthly bulletin beginning with June, 1913.

The *Sixth Annual Report of the State Inspectors of Health in Massachusetts, 1912* (Boston, State Board of Health, 1913, pp. 73), contains 20 pages in regard to the sanitation of factories and workshops.

The Bureau of Statistics of Massachusetts has published its *Fifth Annual Report on Labor Organizations* for the year 1912 (Boston, October 12, 1913, Bulletin No. 96, pp. 127); and *Thirteenth Annual Report on Strikes and Lockouts* for 1912 (Sept. 22, 1913, pp. 104).

The new State Board of Labor and Industries of Massachusetts has published three bulletins: No. 1, *Laws Relating to the Employment of Women and Children* (pp. 63); No. 2, *Laws Relating to School Attendance and the Employment of Minors* (pp. 49); No. 3, *Laws Relating to Labor Enforced by the State Board of Labor and Industries* (1913, pp. 104). These bulletins simply represent summaries of legislation.

In the *Third Annual Report of the Joint Board of Sanitary Control in the Cloak, Suit and Skirt, and Dress and Waist Industries of Greater New York* (31 Union Square West, New York, Dec., 1913, pp. 78), an account is given of the progress in sanitary conditions in the industries named. This progress is illustrated by effective diagrams. There is also given a history of the board and its work. In addition to its annual report, this board issues an occasional bulletin in regard to conditions of the workings of the Protocol of Peace, signed in September, 1910. A *Special Report on Sanitary Conditions in the Shops of the Dress and Waist Industries* has also been published.

The *Second Report of the Factory Investigating Commission, 1913, of New York*, has been issued in two volumes (Albany, 1913, pp. 1340). The first volume contains the report. Volume II has appendices relating to night work of women, industrial conditions in the

canning industry, and special investigation of chemical, tobacco, and printing industries.

The *Labor Laws of New York State* have been reprinted by the New York State Department of Labor (Albany, 1913, pp. 252).

The *Twenty-First Annual Report of the Bureau of Statistics and Information of Maryland* (Baltimore, 300 Equitable Bldg., 1913, pp. 222) devotes a substantial part of the document to child labor, making a comparison of conditions under the old and the new laws (pp. 14-47).

In December, 1913, the Ohio Coal Mining Commission made its report to the governor of Ohio (Columbus, Ohio, 1913, pp. 70). This commission was appointed to investigate and report an equitable method of weighing coal at the mines and also protect the coal measures of the state. The commission took a large view of its instructions, and reports at considerable length in regard to the conservation of coal resources. A description is given of the methods of mining, from which it appears that there is enormous waste of coal. It is recommended that the whole system of operating mines be placed under the direct supervision of the Industrial Commission of Ohio, which should be given power gradually to introduce changes in the present system of mining, so as to secure a greater conservation of the coal resources. Part 3 of the report is entitled "Screened Coal vs. Mine-Run System of Payment." A history of the controversy is given, and the arguments of the miners and operators. It is recommended that the mine-run system be substituted for the screened-coal method. Professor M. B. Hammond, of the Ohio State University, was secretary of this commission.

The *New York Workmen's Compensation Law* has been reprinted by the New York State Department of Labor (Albany, 1913). The Insurance Department of New York has also prepared a digest, together with a summary of the law authorizing the formation of mutual compensation and insurance companies (pp. 24). The New York law applies only to so-called hazardous employments, which are enumerated. Settlements are made through a commission. Employers may insure in the state fund or in any authorized stock or mutual company, or furnish satisfactory proof of financial ability to pay.

The new *Connecticut Workmen's Compensation Law* has been reprinted in Bulletin No. 1, issued by the board of commissioners (pp. 48).

The experience of liability companies with the new workmen's

compensation law is touched upon in the *Report on Examination of the Fidelity and Casualty Company of New York*, issued by the insurance department of New York (Albany, 1913, pp. 27).

From Canada there has appeared the final report on *Laws Relating to the Liability of Employers*, by Hon. Sir William Ralph Meredith (Toronto, 1913, pp. xx, 733). The report covers some 20 pages. The remainder of the volume is made up of minutes of evidence, briefs and memoranda submitted by various associations and companies.

A departmental committee on compensation for industrial diseases of Great Britain has published *Minutes of Evidence* (London, Wyman, 1913, pp. 133, xxxvii, 1s. 5d.). This committee was appointed to report whether certain diseases could properly be added to those enumerated in the workmen's compensation act of 1906. Particular diseases considered are cowpox; Dupuytren's contraction; chronic spasm of the eyelids, apart from nystagmus; writer's cramp. The report on Dupuytren's contraction has especial reference to its occurrence among minders of lace machines.

Relating to the strike in the copper region of Michigan is a pamphlet entitled *Strike Investigation by the Committee of the Copper Commercial Club of Michigan, 1913*, made to Governor Ferris (F. K. Guck, secretary, Calumet, Mich., pp. 85).

The Bureau of Labor Statistics of Missouri has published in pamphlet form *Laws of Missouri: Labor, Industrial and Statistical* (Jefferson City, 1913, pp. 99). This includes a publication of the occupational diseases and nine-hour law.

The Bureau of Labor Statistics of California has published a special report on *Labor Conditions in the Canning Industry* (John P. McLaughlin, commissioner, 948 Market St., San Francisco, 1913, pp. 34). This report deals only with establishments which are specifically exempt from the provisions of the eight-hour law for women, in order to assist the legislature in determining whether such exemptions should continue. Charts show the seasonal character of the canning industry, and the duration of the canning season by varieties of fruit. In specific cases the employers reported days of 18, 15 and 13½ hours, and weeks running up to 96 hours.

The need of improved factory inspection is dwelt upon in a bulletin published by the Travelers' Insurance Company of Hartford (Dec., 1913), in an article entitled *Industrial Accidents and the Travelers' Inspection Service*.

On the subject of workmen's compensation is to be noted *Digest of Workmen's Compensation and Insurance Laws in the United States* (Oct., 1913), issued by the Workmen's Compensation Publicity Bureau (80 Maiden Lane, New York City). This digest is presented in convenient tabular form, comparing, under topics, the statutes in the several states. The bureau has also printed a text with analytical introduction of workmen's compensation laws in nineteen states, which are supplied in sets for \$2.

The December, 1913, issue of the "American Labor Legislation Review" (vol. 3, no. 4) is devoted to *Administration of Labor Laws*. This contains chapters on Progressive Tendencies in Labor Law Administration in America, Scientific Standards, Diversity of Enforcement, Duties and Organization of Departments, and Directory of State Bodies Administering Labor Laws. Under the latter heading separate classifications are given for bureaus of labor and factory statistics, workmen's compensation commissions, and minimum wage commissions.

The H. W. Wilson Company has recently published a pamphlet in the Abridged Debaters' Handbook Series entitled *Selected Articles on Minimum Wage*, compiled by Mary K. Reely (1913, pp. 48). This includes briefs of arguments in the affirmative and negative, a 4-page bibliography, and 30 pages of reprints of articles.

Further information in regard to English experience may be found in a pamphlet *A Consideration of the Minimum Wage*, published by the Department of Social Economics of the London Municipal Society (2 Bridge St., Westminster, S. W., Jan. 1914, pp. 12).

The British Board of Trade has published *Report on Strikes and Lockouts, and Conciliation and Arbitration Boards in the United Kingdom in 1912*, with comparative statistics (1913, pp. lvi, 160). The principal strike in 1912 was that in the coal-mining industry.

The Department of Labour of Canada has published an exhaustive *Report on Strikes and Lockouts in Canada from 1901 to 1912* (Ottawa, 1913, pp. 279). It is estimated that the annual loss to the country on account of strikes is about \$1,500,000, and that about 3 per cent of the wage-earners of the country are annually involved. Some comparison is made with other countries. The statistical tables are illustrated with charts.

Money, Prices, Credit, and Banking

THE "EQUATION OF EXCHANGE" FOR 1913, AND FORECAST. Pending complete data for the equation of exchange for 1913, to be used for an

article in the June number of this REVIEW, the following preliminary figures are presented, based on such data as are at present available.¹

The two sides of the equation of exchange thus calculated agree within about 9 per cent, which discrepancy is the largest thus far found; this is due doubtless to the paucity of the data—particularly for the volume of trade. The discrepancy has, as usual, been eliminated by arbitrary adjustments of the original estimates for the six factors. The largest adjustment was, of course, in the figure for the volume of trade which was reduced by 4 per cent.

The results, corrected and expressed in billions of dollars, are:

$$\begin{array}{l} \text{Circ. of money (40)} + \text{Circ. of checks (410)} = \text{Value goods bought (450)} \\ \hline \underbrace{\text{Money} \times \text{its velocity}}_{1.8 \times 22} + \underbrace{\text{Deposits} \times \text{their veloc.}}_{8.2 \times 50} = \underbrace{\text{Trade} \times \text{Scale prices}}_{435 \times 103\frac{1}{2} \text{ per cent}} \end{array}$$

Comparing these figures with those calculated for 1912, we find remarkably little change. The most striking change is the reduction in the activity of the check circulation. In 1913 deposits subject to check turned over 50 times as against 53 in 1912. The total check circulation in 1913 was \$410,000,000,000² as against \$436,000,000,000 in 1912. The volume of trade in 1913 is found to be \$435,000,000,000

¹ The figures for money in circulation, deposits subject to check, and their velocities, are calculated in the same way as in previous years. The index number or price level was calculated from Bradstreet's index number for commodities and the index number of prices of stocks as given in Babson's desk sheet. The figure for the volume of trade is based on railroad gross earnings and shares traded in on the New York Stock Exchange, the former for ten months, the latter for eleven months. The index number for prices is based on Bradstreet's index number for commodity prices and the index number of 32 active stocks as given in Babson's desk sheet. The stock figures (both the index number figure and the volume of trade figures) are "weighted" one tenth as heavily as the other data combined with them.

² It is interesting to note that the American Bankers' Association through its committee on clearing houses is endeavoring to gather statistics, from the individual banks, of the checks charged by them weekly. This will afford a much better barometer for gauging the check business and activity than that here used, which is based on the clearings in and out of New York City. The preliminary results of their calculation for 1913, as reported in the papers, indicate a volume and activity of check circulation only slightly different (ten or fifteen per cent greater) from those here calculated. This is interesting in view of the meagerness of the data on which both estimates are based. While I believe my estimates are nearly correct *relatively*, i.e., so far as year to year comparisons are concerned, it would not be surprising if they were found to contain a considerable *absolute* error. It is to be hoped that with the new banking system we shall get more complete statistics of check circulation; and also that, as stated in my article last June, Congress will enable the Department of Commerce to resume and improve its statistics of internal

units³ as against 450,000,000,000 units in 1912. Prices fell from 105.3 per cent to 103.5 per cent of the level of 1909, the assumed base year. The quantity of money in circulation (i.e., outside of the United States Treasury and the banks) and the deposits subject to check prove to be very slightly greater than in 1912.

These figures confirm the prevailing impression that the year 1912 was a year of contraction rather than expansion. The shrinkage in activity of bank accounts is characteristic of a period of liquidation following a crisis or a tight money market.

It would not be exaggerating to say that from the middle of 1913 to the present we have been passing through a mild crisis with liquidation still going on. The liquidation may be expected to be sufficiently complete soon to justify beginning a new period of expansion. It seems reasonable to expect that the year 1914 will then show a resumption in the growth of most of the factors in the equation of exchange.

The tariff act, it is true, may operate to produce a so-called "unfavorable" balance of trade and to cause an export of gold, which would tend to lower the general level of prices in the United States. The currency act on the other hand seems likely to stimulate bank deposits and so tend to raise prices. In view of these and other considerations, it does not seem likely that the general scale of prices in 1914 will vary materially from the level of 1913.

IRVING FISHER.

The Sources of Rural Credit and the Extent of Rural Indebtedness, by George K. Holmes (Reprinted from the *Bulletin of Economic and Social Intelligence*, vols. 28 and 29, Rome, International Institute of Agriculture, 1913, pp. 46; published also in French) is a useful summary of much of the very incomplete data at present available on the subject of agricultural credit facilities and needs in the United States.

Part I is a compilation, largely statistical, of the chief facts concerning the character and extent of farm mortgage indebtedness in the United States before 1912. Totals are summarized in tabular form for different geographical sections. On the basis of very incomplete data the author estimates for 1910 the probable amount of the agricultural debt of the farmers of the United States at \$5,000,000,000, exclusive of the comparatively small debt of agricultural laborers.

commerce. We shall then be able to reach a closer approximation to the truth as to the statistics of the equation of exchange.

³ Each "unit" of trade is any quantum of goods worth one dollar reckoned at the prices of 1909, the assumed base year.

This figure does not include "credit that is given by the seller to the purchaser of real estate, which is usually secured by the return of a mortgage," and which Mr. Holmes claims "makes no demand on the credit market and consists of nothing more than the exchange of legal documents—a deed for a mortgage and usually some unborrowed cash" (p. 3). Many of the important constituents of the estimate are necessarily little more than intelligent guesses, and the margin of probable error is large.

Part II consists chiefly of a summary and discussion of the results of the investigation concerning agricultural credit made by the Secretary of Agriculture in 1912. A schedule of questions was sent "to 9,000 persons in all of the rural counties of the United States. There were about 3,000 country bankers, about the same number of prominent farmers, and also about the same number of country merchants and men of other occupations taken from the list in use by the Bureau of Statistics to collect monthly reports of the prices of farm commodities" (p. 19).

In reply to a question as to the ability of farmers to give good security or endorsed notes for loans, it appears that in the opinion of the correspondents an average of 77 per cent of the farm owners and 46 per cent of the farm tenants are able to give such security. With reference to the question concerning the deficiency of credit for short-time loans, 48 per cent of the correspondents report no deficiency of credit for owners and 47 per cent report no deficiency for tenants. Where a deficiency of credit is reported it is estimated on the average that 36 per cent of the owners and 37 per cent of the tenants were unable to get credit. For long-time loans the resulting percentages were very similar. Among those able to give good security or endorsed note, the average estimate of those who replied was that 74 per cent of the owners and 73 per cent of the tenants could profitably and conservatively use further credit, and that of those who could so use it 32 per cent of the owners and 33 per cent of the tenants would so use it if it were available.

Other topics covered by the investigation were: the extent to which liens are placed upon cotton and other crops; the use of warehouse receipts as security for loans; the extent to which credit is obtained from different sources classified as local banks, neighbors, individual lenders in near-by cities, loan agents for outside capital, local merchants, and "unspecified sources"; the cost of borrowing covering the items of interest, commissions, abstracts or search of titles, and legal papers. On all of these subjects widely different results are reported from different sections. The author does not tell us to what

extent the testimony of different people in the same neighborhood is conflicting on the different topics.

E. W. KEMMERER.

The first part of the report of the two commissions sent abroad last year to make an investigation of *Agricultural Coöperation and Rural Credit in Europe* has been promptly issued (Sen. Doc. No. 214, 63 Cong., 1 Sess., 1913, pp. 916). This volume contains the evidence gathered at conferences and by "Juries of Inquiry." It is announced that part 2 will be published later and that a full bibliography is being prepared which will be available for the use of students. The material in the present report is arranged by countries and has been intelligently edited so as to serve readers interested in the topics covered.

Further pamphlet literature on the subject of agricultural credit to be noted are *The German Farmer and Coöperation*, a report of F. J. H. von Engelken, the Florida member of the American Commission (Sen. Doc. No. 201, 63 Cong., 1 Sess., 1913, pp. 18); *Some Methods of Financing the Farmer*, by Gordon Jones, also a member of the commission (Sen. Doc. No. 212, 63 Cong., 1 Sess., pp. 15); *Third Annual Report of the Jewish Farmers' Coöperative Credit Unions* (New York: Jewish Agricultural and Industrial Aid Society, 174 Second Ave., pp. 4); *Die Landschaft*, by David Lubin, published by the International Institute of Agriculture (pp. 24); and *Coöperative Rural Credit in Canada*, a letter by Mr. Lubin on the recommendations of the Saskatchewan Commission (International Institute of Agriculture, Nov. 17, 1913, pp. 8).

Beginning with December 1, 1913, the daily statement of the federal Treasury has contained a "Paper Currency Statement," in which the outstanding amounts of all kinds of paper money in circulation are stated.

A subcommittee, Hon. Robert J. Bulkley, chairman, of the House Committee on Banking and Currency is taking testimony on the subject of rural credits, which is being published in a series of hearings.

The Department of Agricultural Economics of the University of Wisconsin is making a study of farm credit in Wisconsin. The plan is to investigate carefully the facts in at least two counties: one in an old settled district; the other in a newly settled district. The inquiry is being made by personal canvass of places of business where the farmer receives credit, a statistical study of all recorded evidences of credit, and, to a limited extent, a canvass of the farmers themselves. The work is in charge of Professor B. H. Hibbard.

The commission appointed by the parliament of the province of Saskatchewan to investigate the problem of agricultural credit has recently made an extensive report, which is published in a large volume. The Saskatchewan commission was associated with the general commission from the United States and Canada, which has recently been investigating the problem of agricultural credit in Europe. The report of the commission is carefully prepared, and will probably be of value to students of the question of agricultural credits in the United States. It contains a careful summary of European methods of coöperative credit. In addition to this there are specific suggestions for a system of local coöperative mortgage societies under the general supervision of provincial authorities, and with provincial guarantees of local credit. As a result of this report the legislative assembly has passed a bill providing for coöperative mortgage credit. (*Report of the Agricultural Credit Commission of the Province of Saskatchewan 1913*, Regina, J. W. Reid, Government Printer, 1913, pp. 224, iii.)

The *Proceedings of the 21st Annual Meeting of the United States League of Local Building and Loan Associations*, held in Milwaukee, August 7-8, 1913 (H. F. Cellarius, secretary, Cincinnati, Ohio, 1913, pp. 279), contains several papers of general economic interest. Among these are to be noted "Farm Loans and the Land Bank," by K. V. Haymaker; "Central Organization, called Land Banks," by E. F. Howell; "A Typical English Building Society—Its History, Achievements and Methods," by Enoch Hill of Halifax, England; and "What Progress the Modern Land Registration System has made in the United States," by M. H. Stutzbach.

There has also been received a copy of *Proceedings of the Michigan Building and Loan Association League*, Twenty-Sixth Annual Meeting, Lansing, Michigan, September, 1913 (Irving B. Rich, secretary, Jackson, Mich., pp. 97).

The full report of the proceedings of the international congress on *Bills of Exchange*, held at the Hague in 1912, has been published as a senate document (No. 162, 63 Cong., 1 Sess., 1913, pp. 465).

Among the addresses delivered in regard to recent currency legislation is *A Plea for Intellectual Freedom in Currency Legislation*, by F. A. Vanderlip. This address was delivered before the Economic Club, New York, November 10, 1913 (pp. 13).

The *Amendments to the General Banking Law* of Michigan which became effective August 15, 1913, have been printed in pamphlet form

(Lansing, State Banking Department, pp. 16). There has been issued a new printing of the *Kansas Banking Law, 1913*. This includes the bank depositors' guarantee law and a summary of Kansas corporation laws (Topeka, Charles M. Sawyer, bank commissioner, 1913, pp. 63). *The Laws of the State of Illinois Governing Corporations with Bank Powers and Trust Companies, Auditor's Edition, 1913* (James J. Brady, auditor of public accounts, Springfield, Ill., pp. 14) has also been issued.

Recent reports of state bankers' conventions have been received:

Proceedings of the Twenty-Second Annual Convention of the Illinois Bankers' Convention, 1912 (Richard L. Compton, secretary, 1030 The Rookery, Chicago, pp. 309), in which there is an address by J. N. Dolley, on "blue sky" legislation in Kansas;

Proceedings of Arizona Bankers' Convention, Ninth Annual Session, 1912 (M. Goldwater, secretary, Prescott, Arizona, pp. 138);

Proceedings of the Nineteenth Annual Convention of the Wisconsin Bankers' Convention, 1913 (Geo. D. Bartlett, Milwaukee, pp. 184);

Twenty-Sixth Annual Convention of the Michigan Bankers' Association, 1912 (H. M. Brown, secretary, Ford Bldg., Detroit, pp. 243);

Proceedings of the Tenth Annual Convention of the New Jersey Bankers' Association, 1913 (William J. Field, secretary, Jersey City, pp. 227);

Proceedings of the Twentieth Annual Convention of the Virginia Bankers' Association, 1913 (Walter Scott, secretary, Farmville, Va., pp. 404), in which there is a brief address by Senator Owen on the proposed currency legislation with informal discussion by members;

Proceedings of the Twentieth Annual Convention of the South Carolina Bankers' Association, 1913 (Lee G. G. Holleman, secretary, Anderson, S. C., pp. 187), in which is to be noted an address on "Rural Banks and Currency Reform," by C. H. Davis.

The Agricultural Commission of the American Bankers' Association has begun the publication of a monthly, entitled *The Banker and Farmer*, "reviewing the bankers' activities for a better agricultural and rural life." The first issue, December, 1913, contains brief articles on agricultural credit, by B. F. Harris, and a lesson from the Ohio Building Association, by K. V. Haymaker (First National Bank Building, Champaign, Ill.).

The British Board of Trade has published *Report of an Inquiry into Working-Class Rents and Retail Prices, together with the Rates of*

Wages in certain Occupations in Industrial Towns of the United Kingdom in 1912 (London, Wyman, 1913, pp. lxiii, 398). This represents the results of an inquiry into rents, retail prices, and rates of wages in 93 principal towns. As far as possible the results are made comparable with those obtained by a similar inquiry made in 1905. The comparisons of prices in 1905 and 1912 are supplemented by tables showing retail prices of food in London for (a) 9 articles, 1877-1903; (b) 23 articles, 1892-1912; retail prices of food in provincial towns, 1907-1912; retail prices of coal in London, 1892-1912; prices of clothing, 1905-1912 wholesale prices in the United Kingdom, 1871-1912. A most valuable contribution in this report is 75 pages in the appendix relating to the course of prices in foreign countries. This compilation will bring to the student a large amount of source material brought down to a recent date.

Public Finance

In addition to legal treatises on the new income tax law referred to in the department of reviews, various banking houses have issued pamphlets of explanations and instructions which serve a useful purpose for the student of finance. Among these are to be noted, *Brief Digest and Reprints of the Internal Revenue Regulations relating to Deduction of Income at the Source*, published by the Bankers' Trust Company of New York; also a pamphlet, *How to Comply with the Income Tax Law*, by Stewart H. Patterson (New York Trust Company's Magazine, 1 Liberty Street, pp. 25, 50 cents); *Income Tax Law, Analysis and History*, issued by N. W. Harris (Boston, 35 Federal Street, pp. 39); the *Federal Income Tax Law*, by the Old Colony Trust Company (Boston, 17 Court St., pp. 50), which has also issued other pamphlets, entitled *Coupons and the Income Tax Law* (pp. 41); *Salaries, Accounts, etc. and the Income Tax* (pp. 17); *Fiduciaries, Prices, etc. and the Income Tax* (pp. 38). Other publications are *Federal Income Tax, Digest, Law and Record of Income*, by Hodenpyl, Hardy & Co. (14 Wall St., N. Y., pp. 43); and *A Brief Analysis of the Federal Income Tax Law*, prepared by H. M. Teets, for the Fifth Avenue Bank of New York (pp. 63).

A pamphlet of 132 pages, with the title *The Income Tax Law of the United States of America, Analyzed and Clarified*, written and published by Albert H. Walker (Park Row Bldg., N. Y.), contains the text of the law, an analysis of the provisions as interpreted by the author, and a criticism of the interpretation contained in the pamphlet

entitled *The Federal Income Tax Law*, written by Luther F. Speer (the official in direct charge of the administration of the law), and published by the Corporation Trust Company of New York, in October last.

The Treasury Department has issued a reprint of *The Tariff Act of October 3, 1913, with Index* (Washington, pp. 152).

Senate Document 163 (63 Cong., 1 Sess., August 13, pp. 64) is devoted to information relating to the *Taxing of Government Property in the Leading Countries of the World*. The report is made up of a series of letters from diplomatic and consular officers of our government. Especially to be noted are translations of German laws, covering some 45 pages.

The *Annual Report of the Secretary of the Treasury for the Fiscal Year 1913* (Washington, pp. vi, 195) devotes two pages to the operations of the Treasury Department in making deposits for crop-moving in 1913, when commercial paper for the first time was accepted as security for deposits in national banks.

The *Proceedings of the Eighth Annual Convention of the National Association of Comptrollers and Accounting Officers*, held at Chattanooga, Tennessee, June 5-7, 1913 (George M. Rex, secretary, Providence, pp. xix, 79), contains an address by C. F. Gettemy, of Massachusetts, on "New Legislation for the Regulation of Municipal Indebtedness in the State of Massachusetts," and an address by W. A. Prendergast on "The Collection of Arrears of Taxes and Assessments—New York's New Law and How it Operates."

The Insurance Department of New York has published a 1914 edition, *Fees and Taxes Charged New York Insurance Companies by Insurance Departments of other States* (Albany, 1913, pp. 49).

In the note on "The National Tax Conference" in the December REVIEW the statement is made that in the new tax law of Ohio, which provides for central appointment and supervision of assessors, the appointments were not put under civil service regulation. In reference to this, Professor O. C. Lockhart writes as follows:

"It is true that the tax act did not itself make this provision but it is also true that the Friebohn bill, passed about the same time, put all state and county employees under civil service rules. The original appointment of district assessors was not indeed under the civil service law, which was not yet in force; but under the terms of the civil ser-

vice law they will be subject to a non-competitive examination and new appointments will be under the full regulations. Moreover, the appointment of subordinates of the district assessors and boards of complaint will be under civil service rules." ROY G. BLAKEY.

Tangible property in Minnesota is now arranged for taxation in four classes (*Laws 1913*, ch. 483, effective Jan. 1, 1914). Class I covers iron ore to be taxed at 50 per cent of its true and full value. In class II come household goods, furniture, wearing apparel of family, etc., which are to be taxed at 25 per cent of their value. Livestock, poultry, agricultural products, merchandise, business fixtures, manufacturer's materials, tools, machinery, manufactured articles, and unplotted real estate, except mining land, are included in Class III and are taxable at one third of their value. All of the tangible property is covered in Class IV, taxable at 40 per cent of its value.

There has been received from the secretary of the North Dakota State Tax Associations a series of bulletins dealing with the subjects of the preparation of appropriation bills and public accounting.

The *Second Biennial Report of the Board of State Tax Commissioners of Oregon, 1913* (Salem, 1913, pp. 95) is largely made up of statistical tables.

During the last two years the Committee on Publicity of the Board of Estimate and Apportionment of New York City has issued in the month of October a series of *Budget News* bulletins which contain a large amount of detailed statistical data relating to departmental estimates, budget allowances and expenditures, covering a period of seven or eight years, in more accessible form than in the files of the "City Record." Copies of the bulletin are sent to taxpayers' associations and other civic organizations, inviting their assistance and coöperation in preparing a tentative budget. C. C. W.

Demography

The Department of Commerce has issued a pamphlet descriptive of its *Origin and Organization* (Washington, July 1, 1913, pp. 63). Some 8 pages are given to a history of the Bureau of the Census.

Two completed volumes of the Thirteenth Census of the United States have appeared: Vol. III, *Population, Reports by States, Nebraska—Wyoming* (Washington, Bureau of the Census, pp. 1225); and Vol. V, *Agriculture, General Report and Analysis* (Oct. 31, 1913, pp. 927).

A brief but incisive statement of the beneficial effect of the organization of a state board of health in Pennsylvania, in lowering the death-rate is to be found in *Mortality Statistics of Pennsylvania* (Sen. Doc. No. 1000, 62 Cong., 3 Sess., Dec. 27, 1912, pp. 14).

Mr. Max J. Kohler has reprinted from the "Jewish Comment" an address read before the Eastern Council of Reform Rabbis (October 20, 1913) on *The Immigration Problem and the Right of Asylum for the Persecuted* (pp. 36). The author is averse to the restrictive policy. In favor of restriction is Bulletin No. 64 of the Immigration Restriction League, entitled *The Crises in our Immigration Policy*, by Robert DeC. Ward (pp. 25). Mr. Kohler deals rather with the political aspects of the question, while Mr. Ward is more especially concerned with eugenic problems.

From the Bureau of the Census has appeared *Financial Statistics of Cities Having a Population of over 30,000, 1911* (Washington, 1913, pp. 401).

Insurance

THE SUPREME COURT AND INSURANCE. It has long been hoped by many interested in insurance that it could be freed from the regulation of the states and given over to regulation by the federal government. Since the development of regulation of various businesses by the states, insurance has greatly suffered because there has been little uniformity in the various state laws, and yet the business of no important company is confined to one state. Great expense has been incurred in conforming to the numerous requirements of the different states. Federal regulation has not been possible because the Supreme Court has held that insurance is not interstate commerce. Many insurance officials have believed that it is, and have hoped to see a case clearly presented to the court. Much hope has also been encouraged by the argument that the changed personnel of the court and the developed regulation of business by the federal government would secure a favorable decision by the Supreme Court.

However, the recent decision in the case of the *New York Life Insurance Company v. Deer Lodge County, Montana*, seems to dispose of the question. The points at issue were so clear, as to leave no doubt of the court's decision being that insurance is not interstate commerce. Montana enacted a law requiring every insurance corporation to pay an annual tax upon the excess of premiums received over losses and ordinary expenses incurred within the state. The

company alleged that the law was invalid in that it was a burden upon interstate commerce. It was shown that the company transacted all its business through agents who received their authority through the use of the mails from the home office in New York. The insurance company never had an office or place of business in Montana, all the officers residing in New York. It was also shown that moneys received were transmitted to New York. Loans were negotiated from New York, the proceeds of the loan being forwarded by mail in the form of checks, drawn on the company's account in New York. Likewise policy claims were also paid by checks drawn upon the company's assets in New York and transmitted through the mails to Montana. The detailed manner of doing the business, it was argued, was such as to constitute interstate commerce.

Argument was presented to show that this case differed from those in which the court had decided that insurance was not commerce.

The cases referred to, the court remarked, "constitute a formidable body of authority and strongly invoke the rule of *stare decisis*. To reverse the cases would require us to promulgate a new rule of constitutional inhibition upon the states." The court also considered the question of principle involved, and decided, with Justice Hughes and Vandeventer dissenting, that insurance was not in its nature interstate commerce.

The case of *Paul v. Virginia* referred to fire insurance, in which it was held that the contract was one of indemnity. It was also held that the right of a corporation to do business in a state other than that of its incorporation rested upon the will of the state which it sought to enter. This last point was the chief one contended in the *Hooper v. California* case, in that it was argued that the foreign corporation sought to do an interstate business. In this case it was marine insurance. In the *Cravens* case the question of mutual insurance arose in that it was argued that the parties might choose its applicatory law.

But in all the cases, just as in the present case, the court reverts to the original case of *Paul v. Virginia*, decided in 1808, and sustains the reasoning of the court. In vain it was argued "that modern life insurance has taken on essentially a national and international character and that when *Paul v. Virginia* was decided the business was to a great extent local." The court repeated, however:

Insurance is not a commerce, nor is the contract of insurance an instrumentality of commerce. The making of such a contract is a mere incident of commercial intercourse. The number of transactions do not give the business any character other than magnitude. If it did, the department store

which deals with every article would have one character while its neighbor, humble in the variety and extent of its stock, would have another. Nor does the use of the mails determine anything. The transfer of real estate may be negotiated through the mails.

The fact that policies are subject to loans, sale, and transfer does not make insurance commerce, because "this is a use of them after their creation, a use by the insured, not by the insurer."

Nothing remains for the insurance officials but to continue their efforts to secure greater uniformity in the state laws governing the business.

W. F. GEPHART.

Washington University, St. Louis.

PERIODICALS

The REVIEW is indebted to Robert F. Foerster for abstracts of articles in Italian periodicals, and to R. S. Saby for abstracts of articles in Danish and Swedish periodicals.

Theory

(Abstracts by W. M. Adriance)

BERTUSKY, H. *Der Einfluss abergläubischer Vorstellungen auf das wirtschaftliche und soziale Leben der Natureölker. I.* Zeitschr. f. Socialwis., July, 1913. Pp. 9.

A study of the influence of superstition on primitive life.

CONRAD, O. *Der subjektive Wert als Grundlage der Zinstheorie Böhm-Bawerks.* Jahrb. f. Nat. Oek., Sept., 1913. Pp. 32.

A criticism of Böhm-Bawerk's whole theory of valuation. Holding a "cost" theory himself, Conrad thinks the author of the "Positive Theory" is completely turned around in his very formulation of the problem.

DIETRICH, R. *Begründung einer Betrieb-Wissenschaft.* Schmollers Jahrb., No. 2, 1913. Pp. 59.

An attempt to delimit a new specialized field for investigation.

ENGLAND, M. T. *An analysis of the crisis cycle.* Journ. Pol. Econ., Oct., 1913. Pp. 24.

HANEY, L. H. *The social point of view in economics.* Quart. Journ. Econ., Nov., 1913. Pp. 25.

The economist should have the "social point of view." But his concept of society need not be as broad as that of the sociologist. He deals with the strictly economic aspects of social coöperation.

HARMS, B. *Weltwirtschaft und Weltwirtschaftslehre.* Weltwirtsch. Archiv, Jan., 1913. Pp. 36.

Explains the purpose and *raison d'être* of this new periodical.

JOHNSON, W. E. *The pure theory of utility curves.* Econ. Journ., Dec., 1913. Pp. 30.

Highly ingenious developments of geometrical and algebraic methods, starting with a modification of Edgeworth's "curves of indifference." One of the most interesting results is a new sort of demand curve for which the assumption that the value of money is constant is not necessary. It is not clear, however, that these new methods can lead to new conclusions of any real significance.

A. A. Y.

KOHLER, W. *Die sozialwissenschaftliche Grundlage und Struktur der Malthusianischen Bevölkerungslehre.* Schmollers Jahrb., No. 3, 1913. Pp. 61.

NAUMANN, M. *Das Wesen der städtischen Grundrente.* Zeitschr. f. Socialwis., July, 1913. Pp. 10.

A scathingly critical review of Kleinwächter's book on urban rent.

Incidentally the reviewer reviews controversies on the subject in which he himself has taken part, and vigorously reaffirms his own views.

SCHMOLLER. *Die Hetze von Alexander Tille und Konsorten gegen Lujo Brentano*. Schmollers Jahrb., No. 3, 1913. Pp. 17.

An article on Brentano's social and economic views, suggested by the successful effort made by Brentano in 1912 to silence by legal process certain detractors who were misrepresenting his views on labor and wage questions. Closes with a glowing tribute to Brentano the man.

SCHWIEDLAND, E. *Art technique et économie politique*. Rev. d'Econ. Polit., Sept.-Oct., 1913. Pp. 10.

SMITH, J. A. *On some fundamental notions in economics*. Econ. Rev., Oct., 1913. Pp. 16.

Reflections on a portion of Marshall's *Principles*.

STEFFEN, G. F. *Den ekonomiska samhällsuppfattningen hos Platon, Rousseau och Quesnay*. Ek. Tids., No. 10, 1913. Pp. 18.

A comparative study of the ideas of Plato, Rousseau, and Quesnay on the economic basis of social organization.

STEFFEN, G. F. *Den ekonomiska samhällsuppfattningen hos Saint-Simon*. Ek. Tids., No. 11, 1913. Pp. 21.

The economic basis of society according to Saint-Simon.

WICKSELL, K. *Vilfredo Pareto's Manuel d'économie politique*. Zeitschr. f. Volkswirtsch., No. 1, 1913. Pp. 20.

Wicksell, who in 1897 and 1899 published his criticisms of Pareto's *Cours d'Economie Politique*, now states at length his views on the same authors *Manuel d'Economie Politique* which is the French translation (1909) of the Italian original published in 1906.

Economic History, Foreign

(Abstracts by Clive Day)

ALLIX, E. *La rivalité entre la propriété foncière et la fortune mobilière sous la Révolution*. Rev. d'Hist. Econ., No. 3, 1913. Pp. 51.

A stimulating study on the relations of economic to social and political theory, in the transition from the physiocrats to the political economy of J. B. Say. "C'est la politique des vingt dernières années du dix-huitième siècle qui explique l'économie politique des vingt premières années du dix-neuvième."

BELOCH, K. J. *Die Volkszahl als Faktor und Gradmesser der historischen Entwicklung*. Hist. Zeitschrift, No. 2, 1913. Pp. 17.

An interesting contribution to what may be called the theory of economic history, by an author distinguished for his researches in the population of antiquity.

BRODITZ, G. *Englische Wirtschaftsgeschichte*. Jahrb. f. Nat. Oek., Sept., 1913. Pp. 12.

A review, from a competent critic, of recent works on the subject; it can be recommended to economists who seek a survey of books which may be used as manuals.

BRUDER, H. *Zur Lebensmittelpolitik im alten Basel*. Vierteljahrschr. f. Soc. u. Wirtschaftsgesch., No. 1-2, 1913. Pp. 31.

Organization and regulation of the supply of the necessities of life in a medieval town.

BUGGE, A. *Altschwedische Gilden*. Vierteljahrschrift f. Soc. u. Wirtschaftsgesch., No. 1-2, 1913. Pp. 28.

A study based on Swedish runic inscriptions interpreted by Professor von Friesen in Upsala. Bugge thinks that these inscriptions show a gild merchant at a time considerably before that set by Gross and Hegel; make probable a connection of Charlemagne's gildoniae and the later gild merchant; and make a Roman origin possible.

COLBY, E. *The new economic interpretation of literary history*. So. Atlantic Quart., Oct., 1913. Pp. 9.

A protest, by a student of literature, against the theory that economic rewards determine the form and substance of literature.

FESTY, O. *Le mouvement ouvrier à Paris en 1840*. Rev. Sci. Pol., July-Aug., 1913. Pp. 13, 15.

A study richly documented from contemporary sources.

GIRARD, A. *L'Espagne à la fin du xviii^e siècle*. Rev. de Synthèse Hist., Feb., 1913. Pp. 16.

A summary of historical literature, chiefly Spanish, with some attention to social and economic conditions.

GUYOT, Y. *La situation économique des Pays-Bas*. Journ. des Econ., Sept. 15, 1913. Pp. 27.

The protective tariff proposed by Kolkman for the Netherlands in 1911 gave rise to numerous articles on the economic conditions of the country, of which a statistical summary is given here.

KAREIEV, N. *Deux opinions contraires sur l'histoire agraire de la France à l'époque de la Révolution*. Rév. Franç., June, 1913.

KEITH, T. *The trading privileges of the royal burghs of Scotland. I, II*. Eng. Hist. Rev., July, Oct., 1913. Pp. 17, 12.

A detailed and scholarly study of Scotch commercial and political organization from the Middle Ages to 1846, with particular attention to the sixteenth and seventeenth centuries.

LINGELBACH, W. E. *Historical investigation and the commercial history of the Napoleonic era*. Am. Hist. Rev., Jan., 1914. Pp. 25.

A valuable survey of published works and of unexploited original material on the subject, with indications of lines of investigation that promise important results.

MANN, K. F. *Die Vorgeschichte des Finanzsystems von John Law*. Schmollers Jahrb., No. 3, 1913. Pp. 65.

This study covers briefly the history of French banking and in full detail the history of Law's projects, down to the founding of his bank under the Regency. It is based in part on important manuscript material, and supersedes previous works on the subject.

MARRIOTT, J. A. R. *The evolution of the English land system*. *Fortn. Rev.*, Sept., Oct., Dec., 1913. Pp. 15, 14, 16.

A sketch of the agrarian revolutions of the fourteenth, sixteenth, and eighteenth centuries, evidently evoked by the present English agitation over the land laws, and written with a manifest Tory bias, following Prothero and opposing the Hammonds.

MISSALEK, E. *Die ältesten Formen der slavischen Siedlung*. *Hist. Zeitschrift*, No. 3, 1913. Pp. 5.

A summary of the conclusions of the Polish historian, Balzer, which would greatly modify the current views, as expressed by Meitzen. Balzer asserts that the *Runddorf* was not a specifically Slavic form, but is peculiar to a restricted area; that the *Strassendorf* was not imported by the Germans, but was more common among the Slavs than the *Runddorf*, and was preceded by *Einzelhofe* which expanded into it.

DE NOUVION, G. *La situation financière et économique du Japon*. *Journ. des Econ.*, Nov., 1913. Pp. 6.

Condensed statement from the official Japanese year-book.

PAYEN, E. *Les progrès de l'industrie textile en France depuis cinquante ans*. *L'Econ. Franç.*, Oct. 18, 1913. Pp. 3.

POLIER, L. *Die Volkswirtschaft Aegyptens in weltwirtschaftlicher Beleuchtung*. *Weltwirtsch. Archiv*, Oct., 1913. Pp. 34.

A study of the conditions of production and exchange in Egypt which warrants its title, and gives a good example of the aims of the new review in which it appears.

SANDER, P. *Für und wider den hofrechtlichen Ursprung der Zünfte*. *Hist. Vierteljahrschr.* Aug., 1913. Pp. 11.

A comparison and criticism of the studies of Müller and Gallion, which have already been noticed in this REVIEW.

SCHMIDT, C. *Les débuts de l'industrie cotonnière en France 1760-1806*. *Rev. d'Hist. Econ.*, No. 3, 1913. Pp. 36.

An important contribution, by a French archivist, to the history of the industrial revolution in France, tracing the career of Holker and the introduction of the new machinery from England.

SCHULTZE, J. *Zur Getreidepolitik in Hessen unter Landgraf Philipp dem Grossmütigen (1518-1567)*. *Vierteljahrschr. f. Soc. u. Wirtschaftsgesch.*, No. 1-2, 1913. Pp. 26.

SCOTT, W. R. *The trade of Orkney at the end of the eighteenth century*. *Scottish Hist. Rev.*, July, 1913. Pp. 8.

A graphic description, based on a merchant's letter-book, and interesting particularly for the light it throws on the struggling system, and the methods used to settle foreign indebtedness.

SEELIGER, G. *Handwerk und Hofrecht*. *Hist. Vierteljahrschr.*, Oct., 1913. Pp. 48.

Stimulated by Sander's article above, but more elaborate. Baldly stated, Seeliger's conclusion is that professional handicraft did grow

up under the manorial system, but that craft guilds did not develop from manorial law.

TAWNEY, R. H. *The assessment of wages in England by the justices of the peace*. Vierteljahrschr. f. Soc. u. Wirtschaftsgesch., No. 3, 1913. Pp. 31.

The author brands as "not proven" the view that wage assessment was or soon became a dead letter, and has collected considerable evidence to the contrary. The present article covers the period 1563-1700, and is to be continued.

THOMSON, J. *The industrial life of Scotland*. XVI. *The thread industry*. Scottish Bankers' Mag., Oct., 1913. Pp. 9.

Historical, technical, and financial description.

TSCHIESCHKY, S. *Neumerkantilismus und wirtschaftliche Interessenorganisation*. Schmollers Jahrb., No. 1, 1913. Pp. 34.

Interesting analysis of the neo-mercantilism following the régime of liberalism and individualism; the author lays particular stress on the importance of the organization of the different branches of production in this period of "social" mercantilism.

UNGER, W. S. *De oudste Nederlandsche bevolkingsstatistiek*. De Economist, Nov., 1913. Pp. 20.

A study of the population of Hulst, in the fifteenth century; comparable, on a small scale, to Bücher's work.

WARNACK. *Die englische Sozialgesetzgebung 1908-1911*. Jahrb. f. Nat. Oek., Aug., 1913. Pp. 17.

Summary of laws and administrative regulations in the form usual under the head of "economic legislation" in this journal.

WAETJEN, H. *Das Judentum und die Anfänge der modernen Kolonisation*. Vierteljahrschr. f. Soc. u. Wirtschaftsgesch., No. 3, 1913. Pp. 31.

Analysis of Sombart's ideas, and criticism based on the facts.

WEULERSSE, G. *Les physiocrates et la question du pain cher au milieu du XVIII^e siècle, 1756-1770*. Rev. du Dix-huitième Siècle, Apr., 1913.

Some indications of the economic and agricultural progress of Argentina. Bull. Bur. Econ. & Soc. Intelligence, Oct. 1913. Pp. 29.

Statistical survey covering a period of ten years or more, according to the items discussed.

Die Wirtschaftliche Gesetzgebung Preussens im Jahre 1912. Jahrb. f. Nat. Oek., Sept., 1913. Pp. 9.

A brief summary.

Economic Geography

(Abstracts by E. V. D. Robinson)

FULLER, H. B. *The water-power war*. World's Wk., Dec., 1913.

A useful account of the contest over regulation of water-power franchises, giving the present status of the controversy. Opponents of leasing system are now blocking grants of limited rights even though acceptable to corporations concerned.

GRAVES, H. S. *The national forests and development of natural resources*. Pro. Am. Min. Cong., Nov. 25-29, 1912.

Clear statement of the issue between those who favor and those who oppose turning the remaining natural resources over to large private interests.

HEIDERICH, F. *Die Sozialwirtschaftsgeographie (Grundsätzliches und Literatur)*. Weltwirtsch. Archiv, Oct., 1913.

Historical and theoretical discussion of the relation of geography and economics, apropos of Harm's *Volkswirtschaft und Weltwirtschaft*.

JUNGST, E. *50 Jahre oberschlesischer Eisenindustrie in statistischer Darstellung*. Gluckauf, Aug. 30, 1913. Pp. 35.

Detailed study dealing largely with technical matters, but covering also questions of cartels and wages.

KERSHAW, J. B. C. *The growth of the world's copper mining industry in the years 1898-1912*. Met. & Chem. Engg., Nov., 1913.

Increased nearly 400 per cent from 1898 to 1912. Tables and diagrams show rank of countries, leaders being United States, Mexico, and Japan.

LEROY-BEAULIEU, P. *La production et la consommation du coton dans le monde: la consommation*. L'Econ. Franç., Nov. 22, 1913.

Demand for raw cotton is outrunning supply, causing a small margin of profit to mill owners, and checking development of the cotton industry. Cotton culture should be pushed in European colonies.

LEROY-BEAULIEU, P. *La production et la consommation du coton dans le monde: la production*. L'Econ. Franç., Nov. 15, 1913.

PARKER, E. W. *The costs and profits in coal mining*. Am. Min. Cong., Nov. 1, 1913.

Neither anthracite nor bituminous mines are really profitable, leaving out question of rates on railroads which control mines.

PELLAND, A. *Les pêcheries de la gaspésie*. Rev. Econ. Canadienne, Oct., 1913.

Historical rather than economic sketch of the development of fisheries, especially during the latter part of the eighteenth and early part of nineteenth century, with quotations from letters of the Robin firm.

SMITH, G. O. *The disposition of natural resources*. Bull. Am. Inst. Min. Engrs., Oct., 1913.

STERSE, J. G. *Transportation conditions in Alaska*. Rev. Rev., Jan., 1914. Pp. 6.

Good summary of present economic conditions. Proposes new route.

THOMAS, E. H. *Alaska—a future empire*. Rev. Rev., Jan., 1914.

Brief statement of value of products with plea for opening of coal mines.

VATTIER, C. and ECHEGARAI, N. *Iron ore resources of Chili*. II Ir. & Coal Trade Rev., Sept. 5, 1913.

WHITAKER, DEB. *Cuban iron-ore reserves*. Engg. Mag., Nov., 1913.

Total in sight is about 3,246 million tons, of which the United States Steel Corporation controls less than 7 per cent.

Commerce

(Abstracts by M. T. Copeland)

AJAM, M. *Le conflit économique franco-allemande*. Journ. des Econ., Nov., 1913.

Considers unfortunate the French antagonism toward German goods. The superior methods adopted in Germany for the manufacture of some products should be recognized. Boycotts lead to reprisals.

BELLET, D. *Le canal de Panama, payera-t-il?* Journ. des Econ., Oct., 1913.

Skeptical of the financial success of the canal.

BRISMAN, S. *Soeriges handelsbalans och utländska skuldsättning*. Ek. Tids., No. 11, 1913. Pp. 7.

A reply to Hultman's article noted below.

DUNN, A. W. *Beef from South America and Australia*. Rev. Rev., Jan., 1914.

A concise statement of the conditions in these countries and of the probable effect of the removal of our duty on meat.

FREEMAN, L. R. *American trade with China, its possibilities and limitations*. Engg. Mag., Jan., 1914.

Anticipates that "within a decade or two China will develop into a great manufacturing nation." This, together with development of natural resources, will tend to check import trade in articles which now lead, but America should find an excellent market for machinery and other high grade goods in China. Numerous exaggerated statements are made, as, for example, that "a very large number" of cotton mills are already in operation in China.

GEHRKE, F. *Der wirtschaftliche Riessenkampf des Unterwesergebietes*. Zeitschr. Staatswis., No. IV, 1913.

As a result of less favorable harbor conditions, smaller tributary inland territory, and lack of government assistance (even hindrance by Oldenburg and Prussia), Bremen's foreign trade has grown less rapidly during the last 25 years than that of Hamburg.

HULTMAN, I. *Sveriges handelsbalans och utländska skuldsättning*. Ek. Tids., No. 10, 1913. Pp. 7.

Swedish balance of trade and foreign loans.

LAUREYS, H. *Les industries textiles en Belgique*. Rev. Econ. Canadienne, Dec., 1913.

Brief, descriptive, popular.

LINDBERG, J. K. *Detailhandelens Fresutid*. Nat. ök. Tids., Nov.-Dec., 1913. Pp. 21.

Gross profits in the retail trade are likely to decrease with decreasing competition and better organization among wholesalers.

LEROY-BEAULIEU, P. *La production et la consommation de la soie dans le monde*. L'Econ. Franç., Nov. 8, 1913.

The raw silk industry has been practically stationary in France and Italy for the last 20 years, in consequence of the competition of the more profitable grape culture and other forms of agriculture. The Levant and particularly Asia have shown a substantial increase in production.

MYERS, M. S. *Statistical review of Manchuria's commerce*. Daily Cons. & Trade Repts., Nov. 25, 1913.

RUTTER, F. R. *Need for study of foreign trade-mark and patent laws*. Exporter's Rev., Nov., 1913.

In the United States use, not registration, gives title to a trademark, the registration merely furnishing a convenient means of proving title. In numerous foreign countries title depends upon registration. Lack of attention to foreign trademark regulations has caused serious embarrassment to American exporters.

SEEGER, W. *Die Messe in Nischny-Novgorod*. Jahrb. f. Nat. Oek., Sept., 1913.

The organization of the great fair at Nigni Novgorod and its importance for domestic and foreign trade is interestingly and carefully explained. The opening of the Siberian railroad and the employment of resident agents by West European firms has tended to divert the international trade to Moscow, where it is carried on continuously throughout the year. On the other hand, because of the increase in population in central Russia, the system of land ownership, methods of community trade, cheap water transportation on the Volga, and the reluctance of the Russians to purchase from description or sample, the domestic trade has continued to prosper. Cotton goods and hides are the leading articles of trade.

SEVIN, L. *Die politische Neuordnung auf dem Balkan und der deutsche Aussehenhandel*. Schmollers Jahrb., No. 4, 1913.

From a comparative analysis of the foreign trade statistics of the Balkan states and European Turkey, attempts to foretell the effect of the recent war on German trade. Optimistic.

TOWER, W. S. *Notes on the commercial geography of South America*. Bull. Am. Geog. Soc., Dec., 1913.

Draws conclusions regarding the trade prospects of South America.

UHLIG, K. *Die Verschiebung des wirtschaftlichen Kräfteverhältnisses zwischen England und Deutschland*. Zeitschr. f. Volkswirtsch., No. VI, 1913.

Discusses the reasons for the earlier development of the capitalistic form of industry in England and the growth of German competition. Germany has a larger but poorer population, forced to work more intensively but more cheaply. It is placing a rapidly increasing quantity of cheap goods on the market, and in its export trade will soon surpass England. But England's political control of foreign markets and the specialization of its industries and refinement of its products will enable it to maintain the volume of its export trade. Their trade, there-

fore, is more or less supplementary rather than competitive. "The world has room for both!"

ZICKERT, H. *Die Wertberechnung in der deutschen Aussenhandelsstatistik*. Die Bank, Nov., 1913.

Until 1911 no declarations of value were required of exporters; the prices at which the exports should be valued were estimated by a commission meeting once a year. Except for a few groups of articles, the values of imports are still estimated in that way. Hence the statistics are inaccurate. Author might have criticised the quantity figures given in the German trade statistics, since they are by weight. The ton is a significant quantity unit for pig iron or raw wool, but not for automobiles.

ZURHÖST, A. *Tagesfragen aus der städtischen Fleischversorgung*. Zeitschr. Staatswis., No. IV, 1913.

The national government is attempting, by inadequate means, to encourage the production of more meat in Germany. Some municipalities have undertaken to stimulate greater consumption of fish as a substitute for meat; others are regulating prices; another group have opened municipal retail meat markets; and a few are trying municipal establishments for hog-raising. Although some of these experiments are meeting with success, the general rise in the price of meat continues. Coöperative slaughter-houses on a large scale are economical. Several large manufacturing companies, notably Krupp and the Harpener Mining Co., have established slaughter-houses and retail shops for supplying their employees. The latter company has even undertaken to raise hogs. From the laborers' standpoint, however, these employers' stores are open to the same objections as other company stores and company dwelling houses. Such measures may help to bring relief, but the great problem is to induce the German agriculturists to produce more meat.

New York's advantages for furniture industry. Greater N. Y., Jan. 5, 1914.

Our account with the world. N. Y. Times Annalist, Nov. 3, 1913.

Criticises the estimates of the invisible balance of trade as being too high. In 1911 and 1912, in spite of cheap money in United States, and stringency in Europe, we imported more gold than we exported. Hence the debit of the invisible balance of trade could not have exceeded the credit of the visible balance of trade.

Position of hardware trade in New York City. Greater N. Y., Dec. 8, 1913.

The first of a series of articles prepared by the Industrial Bureau of the Merchants' Association. Summarizes methods, volume of wholesale and retail trade, and advantages of New York as a distributing center. Written from the New York point of view.

Railways

(Abstracts by Ernest R. Dewsnup)

ALLIX, G. *Le tunnel sous la Manche*. Journ. d. Transports, Oct. 4, 1913. Pp. 3

The Channel Tunnel scheme receives more and more favor in France and England. The cost is estimated at \$80,000,000.

ARNOLD, B. J. *Report on the Chicago railway terminal situation.* Engg. News, Dec. 4, 1913. Pp. 3.

BELLET, D. *La politique des voies d'eau aux Etats-Unis.* Journ. d. Transports, Nov. 29, 1913. Pp. 2½.

COLSON, M. C. *Movement of prices and railway rates.* Ry. Age Gaz., Nov., 14, 1913.

The upward trend of prices compels increases in railway rates all over Europe.

CONANT, C. A. *Relation of railway charges to the supply of money and capital.* Ry. & Engg. Rev., Dec. 20, 1913. Pp. 2.

Discusses the movement of railway freight earnings as interpreted in terms of purchasing power.

DELANO, F. A. *The Chicago plan, with particular reference to the railway terminal problem.* Journ. Pol. Econ., Nov., 1913. Pp. 13.

The president of the Monon lays down certain general principles which should be observed in the readjustment of the railway terminals of the city.

DUNN, S. O. *The railway employee and the railway patron.* Ry. Age Gaz., Dec. 5, 1913. Pp. 3½.

It is just as much the duty of the public to check members of the railway brotherhoods, when unreasonable and unfair, as the officers and stockholders of the railways.

EDWARDS, W. H. *Das Anlagekapital der nordamerikanischen Eisenbahnen und seine Beziehungen zum Reinertrage.* Archiv f. Eisenbahnw., Aug.-Sept., Sept.-Oct., 1913. Pp. 78.

Attempts to show by tables and curves the relation of the admissible capitalization of American railways, in each year of the past two decades, to their actual capitalization and net income.

EATON, J. S. *The indirect result of national railway valuation.* Engg. Mag., Nov., 1913. Pp. 8.

Survey of the difficulties to be overcome by the Interstate Commerce Commission in its valuation. Physical value should not be emphasized at the expense of intangible value.

EMERY, J. A. *Statistical units used in analysis of electric railway accounts.* Elec. Ry. Journ., Oct. 16, 1913. Pp. 3.

Discuss value of various units upon which operating expenses may be averaged.

GIBSON, T. and McELROY, C. F. *The case of the railroads.* I-IV. Moody's Mag., Oct., 1913-Jan., 1914. Pp. 17.

Attempt to show that the value of most railroad securities is greater than generally believed, and that "poverty" arguments of railways are not justified.

HARRIS, H. P. *London traffic problem.* Munic. Reform Pamph., Nov. 24, 1913. Pp. 19.

A speech before the London Municipal Society in favor of the rec-

ommendation of the Select Committee that a traffic branch of the Board of Trade be organized.

K. *La politique des chemins de fer russes.* Journ. d. Transports, Nov. 15, 1913. P. 1.

A criticism of the railway policy of the Russian government on the grounds of neglect of railway projects of the first importance, delays in putting approved projects into execution, poor financial policy.

KENNEY, R. *Railway disasters and dividends.* Eng. Rev., Nov., 1913.

KENNEY, R. *Railway rules and railway practice.* New Statesman, Nov. 15, 1913. Pp. 1½.

The railways of England are understaffed; their regulations are so framed that blame for accidents must always fall on the men; and the Board of Trade is impotent or indifferent in the matter.

KLAPP, J. O. *Demurrage as a remedy for car shortages.* Ry. Age Gaz., Dec. 26, 1913. Pp. 3.

Shippers are too willing to use cars for storage purposes and to send shipments to be reconsigned. The charges should be made heavier.

LAUCK, W. J. *Plight of the railroads.* No. Am. Rev., Jan., 1914. Pp. 13.

Though at the bottom of the present difficulties of the railroads is to be found improper or misguided financial management, the railways should be granted permission to increase their rates, and care taken to prevent such financial practices in the future.

LEIGH, E. B. *Railway buying and general prosperity.* Ry. Age Gaz., Dec. 19, 1913. Pp. 2.

Large orders for railway equipment stimulate all of the industries of the country; when railway purchases decline, prosperity ends. (Also appears in Ry. & Engg. Rev., Dec. 20, 1913.)

LOESCH, F. J. *Some aspects of railway regulation.* Ry. Age Gaz., Oct. 10, 1913. Pp. 2.

NORVIEL, F. D. and others. *Report of the committee on express and freight rates.* Elec. Ry. Journ., Oct. 16, 1913. Pp. 2.

A large majority of the traction lines communicated with handle or intend to handle freight and express.

PAYEN, E. *Les transformations des moyens de transport en commun dans trois capitales: Paris, Londres, Berlin.* L'Econ. Franç., Nov. 1, 1913. Pp. 2.

Treats of the development of the motor-bus and the electric street car in Paris, London and Berlin.

RANK, E. *Eisenbahnen und Volksbewegung.* Zeitschr. f. Volkswirts., No. VI, 1913. Pp. 8.

Largely based upon Professor Mahaim's study of the social effects of working-men's tickets on the Belgian railways.

RIGGS, E. T. *Some legal problems of railroad valuation.* Columbia Law Rev., Nov., 1913. Pp. 28.

A discussion of the difficulties involved in the determination of railway value.

RIPLEY, E. P. *Letters to Clifford Thorne on possible savings under government ownership.* Ry. Age Gaz., Nov. 28, 1913. Pp. 2.

Criticizes the statistical errors made by Mr. Thorne in his discussion at the recent convention of the National Association of Railroad Commissioners. President Ripley says that government ownership would be a blessing to the owners of railway securities but not to the American people.

ROGERS, L. *The extension of federal control through the regulation of the mails.* Harvard Law Rev., Nov., 1913. Pp. 18.

While a plenary power over the mails has been recognized in Congress, the attitude of the courts would seem to indicate that the power of Congress cannot be extended to arbitrary limits.

D. H. S. *Is there a case for railway nationalization?* Bankers Mag. (London), Oct., 1913. Pp. 10.

An adverse criticism of the proposal to nationalize English railways. STEESE, J. G. *Transportation in Alaska.* Rev. Rev., Jan., 1914. Pp. 7.

The importance of the development of wagon roads is emphasized. An expenditure of \$7,250,000 is needed during the next ten years.

TAYLOR, S. W. *The Minnesota rate case.* Harvard Law Rev., Nov., 1913. Pp. 13.

Failure of Congress to act leaves each state free to establish reasonable maximum intrastate rates for interstate carriers, although the existing relations between intrastate and interstate rates may be disturbed thereby.

THOMPSON, S. *Railroad borrowing since 1900.* Ry. World, Nov., 1913. Pp. 2.

During the last dozen years there has been a marked movement from 3 to 4 per cent bonds to those bearing 4 to 5 per cent interest.

WALLACE, J. F. *Proposed development of Chicago railway facilities.* Ry. Age Gaz., Oct. 24, 1913. Pp. 4.

WILCOX, D. F. and others. *Report of franchise committee of National Municipal League.* Elec. Ry. Journ., Nov. 22, 1913. P. 1.

While municipal control of public utilities is desirable in certain matters, general jurisdiction should be exercised by the state public service commission. The time is ripe for the recognition of the amortization of capital in all franchise contracts.

WILLARD, D. *Address on increase of freight rates.* Greater N. Y., Nov. 3, 1913. Pp. 3.

Further investment is halted and development is at a standstill.

WILSON, H. R. *State purchase of railways in Great Britain.* Engg. News, Dec. 4, 1913. P. 1.

A British royal commission has been appointed to inquire into the relationship between the railway companies of Great Britain and the state in respect of matters other than safety of working and conditions of employment, and to report what changes, if any, are desirable in that relationship.

WORTHINGTON, B. A. *The need for higher rates.* Ry. Age Gaz., Nov. 7, 1913. Pp. 2.

Accidents to passenger trains in Great Britain. Engg. News, Dec. 4, 1913. P. 1/2.

Statistical exhibit of accidents occurring 1903-1912.

An analysis of train-crew legislation. Ry. Age Gaz., Oct. 24, 1913. Pp. 7.

The proposed laws are unnecessary; they will neither increase efficiency nor promote greater safety.

Argentine railways, I, II. Economist, Nov. 1, 8, 1913. Pp. 4.

An analysis of the revenues and expenditures of the leading Argentine systems during the last five years.

Bus operation in London and Paris. Elec. Ry. Journ., Nov. 22, 1913. Pp. 4.

Discusses motor bus operation from points of view of costs and financial return, accidents, municipal supervision, advantages and disadvantages.

Compensation of labor on British railways. Ry. & Engg. Rev., Dec. 20, 1913. P. 1.

Contains useful data as to wages of British railway employees.

A comprehensive searchlight. Ry. Rev., Jan. 3, 1914. Pp. 4.

Reproduces the 78 questions sent out by the Interstate Commerce Commission to the railroads in connection with the inquiry concerning the necessity of an advance in railway rates.

The freight rate advance hearings. Ry. Age Gaz., Nov. 28, 1913. Pp. 9.

Abstract of the statements and evidence presented by the railways.

(See also *Railway and Engineering Review*, Nov. 29, 1913.)

Grade separation laws and requirements. Ry. Age Gaz., Dec. 12, 1913. Pp. 4.

Abstract of 27 state laws, and discussion of the practice in cities where most work has been done.

Increasing the loading of cars. Ry. Age Gaz., Oct. 31, 1913. P. 1.

The proposal that a system of graduated rates based upon the size of the load should be adopted is worthy serious consideration.

Juggling railway statistics. Ry. Age Gaz., Nov. 7, 1913. Pp. 1 1/2.

Deals with Chairman Thorne's statistical errors. (See entry under Ripley, E. P.)

The life of railway physical property. Stone & Webster Pub. Serv. Journ., Dec., 1913. Pp. 7.

A committee report read at the American Electric Railway Association Convention, October, 1913. Insured earnings are put forward as the ultimate solution of depreciation of railway property.

London traffic: report of select committee. London Munic. Notes, Sept.-Oct., 1913. Pp. 5.

Recommendations of a committee appointed to inquire into the circumstances which have led to the increasing number of fatal accidents in London due to motor buses and motor cars.

Maps of railroad valuation. Ry. & Engg. Rev., Nov. 1, 1913.

A question of expense in connection with the valuation being made by the Interstate Commerce Commission.

Mr. Dalrymple's impressions of his visit. Elec. Ry. Journ., Oct. 25, 1913. Pp. 2.

Various comments upon American street car conditions.

Railway construction in 1913. Ry. Rev., Jan. 3, 1913. Pp. 4.

Details are given for each state. The amount of construction is the smallest in 5 years.

Railway statistics. Archiv f. Eisenbahnw., Sept.-Oct., Nov.-Dec., 1913.

Sept.-Oct.: Australia (1911), Denmark (1911-12), France (1910), Norway (1911-12), Servia (1911), Spain (1909), Sweden (1911); Nov.-Dec.: Belgium (1911), Bulgaria (1910), Hungary (1911), Rumania (1912), Switzerland (1911).

Report of committee on railway capitalization. Elec. Ry. Journ., Nov. 1, 1913. Pp. 1½.

Recommends that power be granted to the Interstate Commerce Commission to control the issue of stocks and bonds by interstate carriers.

San Francisco municipal railway. Elec. Ry. Journ., Oct. 11, 1913. Pp. 3.

Of main interest are the figures of cost of reconstruction and operation.

Statistics of electric railway properties. Elec. Ry. Journ., Oct. 25, 1913. Pp. 6.

Capital and revenue of some 60 or more companies grouped in different ways to show their varying conditions.

Studies in operation—the Chesapeake & Ohio. Ry. Age Gaz., Dec. 5, 1913. Pp. 5.

An increase in 187 tons in train load in two years; but despite this, expenses have increased out of proportion to gross earnings.

The waste in railroad service. N. Y. Times Annalist, Nov. 24, 1913. Pp. 1½.

Particularly in the movement of high-class freight.

Les avances du trésor aux chemins de fer de l'état. Journ. d. Transports, Dec. 13, 1913. P. 1.

The financial situation of the French government is complicated by the heavy advances made by the treasury in providing funds for capital expenditures of the state railway system.

Les chemins de fer belges. II. Journ. d. Transports, Oct. 4, 1913. Pp. 1½.

This concluding section is devoted to the consideration of the secondary lines and of the relations between rail and water transport. Water competition is by no means a purely academic question in Belgium.

Chemins de fer électriques. Journ. d. Transports, Jan. 3, 1914. Pp. 3.

Les chemins de fer français. Journ. d. Transports, Oct. 4, 1913. Pp. 1½.

A convenient summary of the development of railway mileage in France, with some additional reference to financial growth.

La congestion de réseau prussien en 1912. Journ. d. Transports, Nov. 22, 1913. Pp. 3.

La cour des comptes et les chemins de fer de l'état. Jan. 3, 1914. Pp. 1½.

The report complains of the tardy presentation of the yearly accounts, of expenditures made without authority of Parliament, of the inexactitude of the estimates made by the administration, of the artificial reduction of the operating deficit by the Treasury's failing to charge interest on advances made by it to the state railway administration before January 1, 1912, and from that date, by requiring interest at the rate of only 2½ per cent.

La question de Panama. Journ. d. Transports, Oct. 25, 1913. Pp. 2½.

M. Daniel Bellet is of the opinion that the Panama Canal will be of no substantial economic or political value to the United States.

La représentation du personnel des chemins de fer l'état en Italie. Journ. d. Transports, Jan. 3, 1914. P. 1.

An account of a lively dispute in the Italian Chamber of Deputies.

Les résultats du rachat en Suisse. Journ. d. Transports, Nov. 8, 1913. Pp. 2½.

The purchase of the Swiss railways has not justified the hopes placed on it and appears as a mediocre operation. A summary of Marcel Peschaud's article in the October *Revue Politique et Parlementaire*.

Eisenbahnunfälle in Grossbritannien und Irland, 1912. Archiv f. Eisenbahnw., Nov.-Dec., 1913. Pp. 3.

Die Entwicklung des Verkehrs von Norddeutschland nach England seit der Mitte des vorigen Jahrhunderts. Archiv f. Eisenbahnw., Sept.-Oct., 1913.

As a result of faster trains, better connections, and new routes, the time of transit for passengers from Berlin to London has been reduced since 1851 from 50 hours to 19½ hours.

Unfälle auf den französischen Eisenbahnen, 1909 und 1910. Archiv f. Eisenbahnw., Sept.-Oct., 1913. Pp. 3.

In 1910, on 25,000 miles of French railways, 753 people were killed and 1,522 injured.

Die Wertpapiere der amerikanischen Eisenbahnen. Archiv f. Eisenbahnw., Sept.-Oct., 1913. Pp. 8.

A description of the kinds of railway stocks and bonds used in America, with a statement as to the method of floating such securities.

Accounting

(Abstracts by John Bauer)

ARNOLD, B. J. and MOYES, J. W. *Valuation of Toronto public utilities.* Elec. Ry. Journ., Nov. 15, 1913. Pp. 2.

Describes the inventory and valuation of the Toronto street railroads, to be purchased by the city: cost of reproduction, less depreciation, plus an allowance for existing valuable contracts with the city.

BAUER, J. *Goodwill: its nature, value, and treatment in the accounts.* Accountant, Dec. 6, 1913. Pp. 8.

Not different from other asset values; it is the value of greater earning power than ordinary returns upon capital cost invested. Should be

presented in the balance sheet whether purchased or not. Shows how goodwill may be evaluated in practice.

BEDE, G. *Valuation of railroads*. Ry. & Engg. Rev., Oct. 18, 1913. Pp. 2.

Points out the difficulties in the government valuation of railroads. Emphasizes the difference between cost and value. Holds that the final valuation can be only tentative, and cannot be used as a basis for practical rate making.

BUTTERFIELD, W. J. *Notes on the worsted industry*. Accountant, Oct. 18, 1913. Pp. 27.

Includes the accounting of the manufacturing processes.

CASH, W. *Gas accounts and finance, with a sketch of the history of the industry*. Accountant, Oct. 18, 1913. Pp. 10.

Summarizes the chief acts of Parliament regulating capitalization, rates, and profits.

CHURCH, A. H. *Bonus systems and the expense burden*. Engg. Mag., Nov., 1913. Pp. 10.

The bonus systems proposed by Gantt and Emerson, based in each case upon a *standard day's* work, are compared with earlier premium systems. The incentive to extra effort is more direct and greater, and the result more measurable. The effect of the expense burden upon work costs is not much different. Illustrative diagrams are presented.

DUFFY, C. N. *Economics of the Cleveland railway situation as developed in the 1913 arbitration decision*. Elec. Ry. Journ., Oct. 15, 1913. Pp. 4.

EATON, J. S. *The indirect results of national railway valuation*. Engg. Mag., Nov., 1913. Pp. 8.

Believes that the cost of production principle will result in unfairness to the investor and will check railroad building.

EATON, J. S., HOWARD, C. P., and others. *Physical valuation of railroads*. Pro. Am. Soc. Civ. Engrs., Sept., 1913. Pp. 22.

A discussion of a paper by W. J. Wilgus on the above subject, holding that the valuation for rate making should be cost of reproduction new, with no allowance for depreciation.

EGGLESTON, D. C. *Accounting system for a municipal hospital*. Journ. Account., Nov., 1913. Pp. 5.

ELKINS, A. F., CAVANAUGH, H. B., HIXSON, L. T. *Meeting of Central Electric Railway Accountants Association*. Elec. Ry. Journ., Dec. 20, 1913.

A summary of three papers: (1) "Some essentials of public service accounting, emphasizing personal qualities." (2) "The federal income tax law as applicable to electric railroad corporations." and (3) "The new federal income tax law." The last two papers discuss especially the accounting problems connected with the law.

EMERY, J. A. *Statistical units used in analysis of electric railway accounts*. Elec. Ry. Journ., Oct. 16, 1913. Pp. 3.

Reviews the principal units and compares their relative advantages and disadvantages. Favors the "seat mile" as the best single unit.

FEES, C. A. *The determination of operating costs of power installations.* Elec. Rev. & W. Elect'n., Oct. 18, 1913. Pp. 3.

Analyzes operating expenses and considers how they affect power costs per kilowatt hour.

FINLAY, J. R. *Valuation of iron-mines.* Bull. Am. Inst. Min. Engrs., Oct., 1913.

GAY, E. F. *Uniform accounting systems.* Journ. Account., Oct., 1913. Pp. 10.

Describes the work of the Bureau of Business Research of the Harvard Graduate School of Business Administration in establishing uniform accounting systems, especially in the shoe business.

GILLETTE, H. P., WILLOUGHBBEE, J. E., and others. *Physical valuation of railroads.* Pro. Am. Soc. Civ. Engrs., Oct., 1913. Pp. 47.

A discussion of a paper on the above subject by W. J. Wilgus, favoring *cost of reproduction new* as the proper valuation for rate making.

HEGAN, C. R. *Some points in the audit of real estate accounts.* Accountant, Oct. 25, 1913. Pp. 4.

An interesting discussion of how profits should be calculated by a real estate company.

HOOPER, W. E. *Has the Interstate Commerce Commission's system of accounts met the needs of the commission?* Ry. Age Gaz., Nov. 21, 1913. Pp. 4.

Approves the general accounts, but holds that the cost analyses cannot be taken as a basis for rate making.

HUFFELAND, O. *Valuation of the sewers of Manhattan Borough, New York City.* Engg. News, Jan. 8, 1914. Pp. 4.

The valuation represents estimated cost with allowance for depreciation. The author was the engineer in charge. Charts and diagrams.

HUMPHREYS, A. C. *Depreciation: estimated and actual.* Engg. & Con., Oct. 8, 1913. Pp. 5.

All methods of calculating depreciation are only rough approximations. No deduction for accrued depreciation should be made in appraisals for rate regulations.

LEAKE, P. D. *Depreciation and goodwill.* Accountant, Dec. 27, 1913. Pp. 8.

Depreciation is viewed as "expired capital outlay," and goodwill is the present value of expected future "super-profits." The question is raised whether and how goodwill should be written off.

LINCOLN, P. M. *Relation of plant size to power cost.* Stone & Webster Pub. Serv. Journ., Dec., 1913. Pp. 12.

Favors a large central light and power plant to furnish all the service in a particular territory, over a number of small plants constructed for special services in the same territory. The lower cost per kilowatt in the central plant is due to relative lower first cost and fixed charges, lower operating expenses, and a more favorable diversity factor in carrying the peak load.

MAGEE, H. C. *The accountant's relation to inventory.* Journ. Account., Dec., 1913. Pp. 14.

Points out tendency to hold auditors more strictly responsible for the accuracy of an inventory.

NAY, F. *Uniform methods of railway accounting.* Journ. Pol. Econ., Dec., 1913. Pp. 31.

Recounts the work of the Association of American Railway Accounting Officers, and discusses the work of the Interstate Commerce Commission in prescribing uniform revenue, expense, and property accounts.

PLAYER, G. P. *Depreciation, obsolescence and inadequacy.* Tel. Engr., Nov., 1913.

REED, E. W. *The theory of reproduction applied to railway rights of way and station grounds.* Eng. & Con., Sept. 3, 1913. Pp. 3.

Allowance above the fair value of surrounding land should be made, to cover buildings that would have to be destroyed, plots of land that would be cut up, etc. For these reasons, railroads have to pay more than ordinary fair prices for land.

RIKER, E. W. *The need of common-sense cost systems for the foundry.* Am. Found. Assn., Oct., 1913.

ROSECRANTZ, C. M. *Other elements of value than franchise values.* Elec. Ry. Journ., Oct. 16, 1913. Pp. 3.

Considers especially *going value* as an element in the valuation for rate making in public utilities.

SALIERS, E. A. *Depreciation reserves vs. depreciation funds.* Journ. Account., Nov., 1913. Pp. 8.

A reserve signifies that property has been written down to depreciation and the amount has been charged against profits. But this provision does not set up a fund for replacement; separate provision must be made.

STEELE, F. R. C. *The development of systems of control.* Journ. Account., Oct., 1913. Pp. 11.

With the growth of large business, the function of accounting as a means of control becomes increasingly important.

WHERRY, W. M. JR. *Franchise values.* Elec. Ry. Journ., Oct. 15, 1913. Pp. 3.

Argues that franchise values should be determined by their earning power.

Contracts for purchasing power. Elec. Ry. Journ., Dec. 6, 1913. Pp. 4.

Explains the usual method of rate making in the sale of power to electric railway companies. The rates are made up of two factors: (1) the demand charge, covering interest, depreciation, etc., on the plant necessary to provide the maximum energy that may be needed; (2) the energy charge, covering the cost of coal, labor, etc., in the actual units of power consumed. Several contracts between railway and power companies are compared in detail.

Cost statistics. Accountant, Dec. 13, 1913. Pp. 4.

A summary of the recently issued *Supplementary Memorandum to the Uniform System of Hospital Accounts, dealing with Out-Patients, Statistics and Costs*, issued by certain English hospitals.

Fare accounting. Elec. Ry. Journ., Oct. 4, 1913. Pp. 6.

A brief general discussion of the problem, followed by letters from important street railway accounting officers, describing the methods used on their systems.

Life of physical railway property. Engg. News, Nov. 13, 1913. Pp. 2.

A summary of report made by a special committee of the American Electric Railway Engineering and Accounting Association, at Atlantic City, October 16, 1913.

Report of the committee on railroad taxes and plans for ascertaining fair valuation of railroad property. Elec. Ry. Journ., Nov. 1, 1913.

A summary of papers on valuation, by Max Thenen, G. A. Henshaw, E. W. Bemis, F. A. Weber, and R. H. Whitten.

Report of the committee on statistics and accounts of electric railways. Elec. Ry. Journ., Nov. 8, 1913. Pp. 3.

Summarizes the year's legislation granting to public service commissions the right to prescribe uniform accounts. Also considers the question of segregating power and rent accounts from general operating expenses.

Service order for Milwaukee lines. Elec. Ry., Journ., Dec., 6, 1913. Pp. 5.

A summary of the decision of the Railroad Commission of Wisconsin directing increases in service to meet the newly prescribed standards of loading. Presents an analysis of revenues and expenses in relation to loading standards and peak load service.

Some features of engineering appraisements of water-works properties. Engg. & Con., Sept. 3, 1913. Pp. 3.

Outlines an appraisal based on cost of reproduction, with deduction for depreciation and allowances for development expenses.

Public Utilities

BROOKS, S. *The telephone and the state.* Concerning Munic. Ownership, Nov., Dec., 1913.

FAIRLIE, J. A. *Public utility legislation in Illinois.* Nat. Munic. Rev., Jan., 1914.

KENNEDY, S. M. *Rates for electric service.* Elec. Wld. Nov. 22, 1913.

KING, C. L. *Municipal utilities.* Nat. Munic. Rev., Jan., 1914. Pp. 3.

MARBLE. *Revision of telephone rates should benefit all.* Greater N. Y., Dec. 1, 1913.

MORTON, F. N. *Public utility references.* Special Libraries, Nov., 1913.

MOSES, P. R. *Rates for electricity.* Elec. Wld., Oct. 25, 1913.

NORTON, W. J. *The two epochs of rate regulation.* Engg. & Con., Sept. 10, 1913.

ROGIND. *København's Sporveie gennem 50 Aar.* Nat. Øk. Tids., Nov.-Dec., 1913. Pp. 25.

A presentation of the more important data in the history of street railroad transportation in Copenhagen during the last 50 years.

ROSA, E. B. *Standardization of public utilities service.* Elec. Wld., Jan. 10, 1914.

SMITH, J. A. *Municipal versus state control of public utilities.* Nat. Munic. Rev., Jan., 1914.

WILCOX, D. F. *Municipal home rule and public utility franchises.* Nat. Munic. Rev., Jan., 1914.

WYNKOOP, H. S. *Control of electrical installation by the municipality.* Elec. Rev. & W. Elect'n., Oct. 25, 1913.

All telephone rates in the city will be revised. Greater N. Y., Nov. 24, 1913.

Investigation of street railway service at Boston. Elec. Ry. Journ., Dec. 20, 1913.

On nationalizing public utilities. Stone & Webster Pub. Serv. Journ., Dec., 1913.

Rapid transit report in Philadelphia. Elec. Ry. Journ., Jan. 10, 1914.

Relation of surplus to rate-making. Elec. Wld., Nov. 8, 1913.

Wisconsin water-power law. Engg. News, Oct. 16, 1913.

Corporations and Trusts

(Abstracts by M. H. Robinson)

BALG, A. *Bedingungen und Stand der Kartellbewegung in Russland.* Kartell-Rundschau, Oct., 1913.

Based upon recent works by Goldstein and Zyperowitch. An excellent review of the Russian situation.

BRANDEIS, L. D. *Breaking the money trust.* Harper's Weekly, Nov. 22, 1913—Jan. 17, 1914.

A series of articles, based largely on the report of the Pujo Committee, showing the operations of the so-called Money trust, and advocating coöperative alliances as the proper remedy.

HAYES, A. *What the Sherman anti-trust act has accomplished.* Am. Law Rev., Sept.-Oct., 1913.

A chronological review of decisions, showing progress made in defining monopoly, unfair competition, and the legality of the several types of combination.

HENNESSY, J. *La profession représentée dans la région organisée.* Réf. Soc., Oct. 1, 1913.

Economic conditions have rendered present methods of representation inequitable and weak. Each industry ought to be organized as a unit and given the advisory functions in the general scheme of government.

HESKESCHER. *Die industrielle Integration*. Zeitschr. f. Socialwis., Oct., 1913.
Valuable for its analysis of the forms of integration.

HOCHSCHILLER, M. *Les trusts de navigation transatlantique*. Journ. des Econ., Dec. 15, 1913.

An excellent historical review of the development of transatlantic pools and the present status of the conventions between the companies.

JUENGST, E. *Die Konzentration im deutschen Wirtschaftsleben, im besondern im Steinkohlenbergbau*. Glückauf, Aug. 30, 1913.

MEAD, E. S. *Unscrambling the Union-Pacific-Southern-Pacific egg*. Lippincott, Nov., 1913.

REGNSTRAND, O. *Förenta Staterna och trusterna*. Ek. Tids., No. 11, 1913. Pp. 18.

A general survey of the trust problem in the United States, including a favorable account of the organization and work of the Bureau of Corporations.

ROE, R. *The United Shoe Machinery Company*. Journ. Pol. Econ., Dec., 1913.

The first of a series of articles defending on economic grounds the policy of the United Shoe Machinery Company in regard to "tying" clause in its leases.

ROGERS, E. S. *Predatory price cutting as unfair trade*. Harvard Law Rev., Dec., 1913.

Shows the attitude of the courts toward price cutting where it is obvious that the ultimate purpose is to control the market.

TOSDAL, H. R. *The kartell movement in the German potash industry*. Quart. Journ. Econ., Nov., 1913.

An excellent historical account of the potash cartel, showing its organization and working, but doubting whether it has been a benefit to the industry.

TSCIERSCHKY, S. *Ueber den zivilistisch-organisatorischen Character der Kartellorganisation*. Kartell-Rundschau, Nov., Dec., 1913.

A critical discussion of the cartel as distinguished from the higher types of trust organization. The author objects to many of Kestner's conclusions.

WELLIVER, J. C. *End of the beef trust*. N. Y. Times Annalist, Jan. 20, 1914.

Municipal markets, the decentralization of packing, and the development of meat growing in many sections are favored. Quotes Professor Carver with approval.

The federal anti-trust act of 1890. Am. Law Register, Dec., 1913—Jan. & Feb., 1914.

A critical analysis of the cases, showing progress made in defining and suppressing monopoly under the Sherman act.

The feud with monopoly. N. Y. Times Annalist, Jan. 26, 1914.

A short account of attempts to suppress monopoly by legislation.

Is there a world-wide beef combine? N. Y. Times Annalist, Oct. 27, 1913.

Quotations from English and Argentine trade papers, indicating

that the American packing interests are using trust methods to freeze out the local Argentine packing companies, with the hope of controlling the world market in beef.

Labor and Labor Organizations

(Abstracts by George E. Barnett)

BERNHARD, E. *Die organisation des Arbeitsmarkts in Gross Berlin*. Soziale Praxis, Oct. 2, 1913. Pp. 3.

Proposes a plan for bringing the Berlin employment offices, which are of several kinds and disconnected, into a unified system.

BOLGAR, A. *Das Auswanderungsproblem und die Arbeitslosigkeit in Ungarn*. Weltwirtsch. Archiv, Oct., 1913. Pp. 16.

Concludes from a study of the causes of emigration that unemployment will be much increased by restriction.

BROOKS, J. G. *The real trouble with the Industrial Workers of the World*. Survey, Oct. 25, 1913. Pp. 2.

The fundamental defect in the I. W. W. philosophy is its "atomistic view of industry and politics."

CAWCHROFT, E. *Workingmen's compensation—N. Y. Constitutional amendment*. Am. Federationist, Nov., 1913. Pp. 7.

DOWNNEY, E. H. *Workmen's compensation in the United States: a review*. Journ. Pol. Econ., Dec., 1913. Pp. 18.

After a careful and discriminating review, finds that the new legislation is "defective in scope, illiberal in the scale of indemnity, commonly deficient in administrative machinery, unduly expensive in proportion to the benefits conferred, and, for the most part, comparatively ineffectual for the prevention of industrial inquiries."

FESTY, O. *Le mouvement ouvrier à Paris en 1840*. II, III. Rev. Sci. Pol., Sept.-Oct., Nov.-Dec., 1913. Pp. 28, 30.

FOX, F. *Industrial arbitration*. Nat. Rev., Dec., 1913. Pp. 11.

Urges the adoption of compulsory arbitration of labor disputes in England, and argues in favor of making the funds of the unions liable in case the unions do not obey the decisions.

GOMPERS, S. *The Seattle convention*. Am. Federationist, Jan., 1914. Pp. 19.

A summary of the proceedings of the 1913 convention of the American Federation of Labor.

GORDON, F. *A labor man's story of the Paterson strike*. Nat. Civic Federation Rev., Dec. 1, 1913. Pp. 2.

Criticises severely the methods of the I. W. W. at Paterson, and denies the charge that the American Federation of Labor unions does not attempt the organization of low-paid workers.

GRANT, R. F. *A discussion of the Ohio workmen's compensation law*. Am. Employer, Jan., 1914. Pp. 11.

Criticism is directed particularly against the provisions of the law which gives a workman injured through the wilful act of the employer

or by the failure of the employer to comply with any lawful requirement the right to institute an action in court

HOXIE, R. F. *The truth about the I. W. W.* Journ. Pol. Econ., Nov., 1913. Pp. 12.

The I. W. W. is weak in effective membership, torn by irreconcilable internal conflict, and the character of its leaders gives no hope of bringing order out of the chaos.

KELLOGG, P. U. *The field before the Commission on Industrial Relations.* Pol. Sci. Quart., Dec., 1913. Pp. 18.

KERSHAW, B. C. *The future relation of capital and labour.* Fortn. Rev., Dec., 1913. Pp. 25.

Concludes after an examination of a number of profit-sharing schemes that the essential elements of a successful plan are the recognition of the union, the payment of the union rate of wages, and the investment of part of the laborer's bonus in the shares of the business.

LEMOZIN, M. *A la confédération général du travail: moyens et fins.* Mouvement Social, Sept. 15, 1913. Pp. 15.

The influence of revolutionary syndicalism is waning.

LINN, J. H. *Modern apprenticeship.* Ry. Age Gaz., Nov. 28, 1913. Pp. 2.

A brief abstract of the papers relating to apprenticeship read at the first annual convention of the National Association of Corporation Schools.

MARKS, M. M. *Art of industrial conciliation.* Rev. of Rev., Nov., 1913. Pp. 3.

MEERWARTH, R. *Zur Statistik und Theorie des Arbeitsmarktes.* Die Bank, Dec., 1913. Pp. 9.

Criticises the Marxian doctrine of the labor reserve.

MORRISON, C. J. *Short-sighted methods of dealing with labor.* Engg. Mag., Jan., 1914. Pp. 6.

Militant unionism is largely due to the failure of employers to pay good wages and to provide working conditions.

MUELLER-OESTREICH, I. *Die Arbeitsbedingungen für die Angestellten in Zweiggeschäften.* Soziale Praxis, Nov. 6, 1913. Pp. 7.

The results of a private inquiry, based on a questionnaire, into the conditions of employment in branches of Berlin mercantile establishments.

PHELPS, E. B. *An open letter to the New York Industrial Board in re automatic sprinkler protection for factory-workers.* Am. Underwriter, Oct., 1913. Pp. 18.

Urges that the board require sprinkler protection in factories.

PICHT, W. *Das gesetzliche Lohnminimum in England.* Zeitschr. f. Volkswirtschaft., No. VI, 1913. Pp. 40.

A comprehensive study of the history of the Trade Boards act and of the work of the boards.

RUTTEN, R. P. C. *Les responsabilités syndicales.* Mouvement Social, Dec. 15, 1913. Pp. 16.

An interesting exposition of the Catholic view of the industrial conflicts, by the founder of the Belgian Catholic trade unions.

S. L. B. *Agricultural labourers and trade unionism*. New Statesman, Nov. 22, 1913. Pp. 2.

Some considerations on the present movement toward organization among the English agricultural laborers.

SANDERS, W. S. *Industrial organization in Germany*. New Statesman, Oct. 18, 1913. Pp. 8.

An excellent brief description of German trade unionism.

SCHULTZE, E. *Die Verschwendung von Menschenleben in der Vereinigten Staaten*. II. Zeitschr. f. Socialwis., Dec., 1913. Pp. 12.

Reviews the high death-rate from accidents in American manufactures and mines, the loss of life by fires, and the lack of preventive measures against tuberculosis and other diseases.

STEWART, O. D. *The West Virginia coal miners' strike; a review*. Am. Employer, Nov., Dec., 1913. Pp. 8, 13.

TAYLOR, G. R. *The clash in the copper country*. Survey, Nov. 1, 1913. Pp. 14.

Includes a review of the demands of the strikers.

UNDEN, O. *Den danske lagstifningen om kollektivaftal*. Ek. Tids., No. 9. 1913. Pp. 16.

An account of the Danish legislation concerning collective bargaining and settlement of labor disputes.

VEVASSEUR, J. *La réforme de la loi sur les syndicats professionnels*. Mus. Soc., Mém. & Doc., Dec., 1913. Pp. 18.

The law of 1884 should be amended so as to increase the power of the trade associations to hold property, since thereby their legal responsibility for wrongful acts would be increased.

WALLACE, J. H. *The Washington compensation act*. Pro. Am. Min. Cong., 1912.

WEAVER, S. R. *The Ontario workmen's compensation bill*. Journ. Pol. Econ., Oct., 1913. Pp. 10.

The proposed law is wide in scope and provides for a liberal scale of compensation. It brings a number of industries under group liability, but makes employers in other industries, notably the railroad companies, individually liable.

WEILL, H. *Das Arbeitsverhältnis in den deutschen gewerblichen Produktionsgenossenschaften*. Soziale Praxis, Oct. 9, 1913. Pp. 3.

Finds that the conditions of employment are best in those industrial coöperative establishments which are closely connected with consumers' coöperative societies.

WETHERED, E. H. C. *Unemployment and insurance*. Accountant, Dec. 20, 1913. Pp. 5.

A popular account of the working of the English scheme, by the chairman of the Bristol Court of Referees.

WOELBLING, P. *Arbeitsnachweis und Tarifverträge*. Soziale Praxis, Dec. 11, 1913. Pp. 4.

Discusses the feasibility of making the employment bureaus one of the agencies in securing the observance of collective agreements.

ZIMMERMANN, W. *Das ewige Problem der Arbeitswilligen*. Soziale Praxis, Dec. 18, 1913. Pp. 7.

An account of the recent debate in the Reichstag on the question of the rights of non-unionists.

The Berne conference. World's Lab. Laws, Nov., 1913. Pp. 12.

The conference has proved a disappointment, since instead of raising the standard of industrial legislation, it has set up the lowest possible standard of regulation.

Decision of Detroit arbitrators in regard to working conditions and wages. Elec. Ry. Journ., Nov. 8, 1913. Pp. 2.

The full text of the decision.

Eastern trainmen's wages settled. Ry. Age Gaz., Nov. 14, 1913. Pp. 8.

An abstract of the decision of the Arbitration Board.

Excessive hours worked by trainmen and telegraphers. Ry. Age Gaz., Jan. 9, 1913. P. 1.

The information contained in the report of the Interstate Commerce Commission as to the number of cases during the fiscal year 1913 in which men were on duty for longer periods than those specified in the law is summarized in two convenient tables.

Industrial diseases. N. Y. Lab. Bull., Sept., 1913. Pp. 3, 18.

Tables showing the number of cases of certain industrial poisonings or diseases which physicians in the state of New York are required by law to report.

International trade union statistics. N. Y. Lab. Bull., Sept., 1913. Pp. 17.

Statistics of trade union membership.

The new Danish factory act. World's Lab. Laws, Nov., 1913. Pp. 4.

Report of the Board in dispute between the Canadian Pacific Railway Company and certain employees on the Alberta division, members of the Brotherhood of Locomotive Firemen and Enginemen. Lab. Gaz. (Ottawa), Nov., 1913. Pp. 15.

Arbitration under Industrial Disputes act, 1907.

Settlement of Indianapolis strike. Elec. Ry. Journ., Nov. 15, 1913. Pp. 3.

The strike on the Sunset lines. Ry. Age Gaz., Nov. 21, 1913. Pp. 4.

Contains the official statement of the Sunset Central lines.

The unionist insurance policy. New Statesman, Nov. 22, 1913. Pp. 3.

Sums up the defects in the present scheme in so far as it relates to sickness, and contends that the Unionist policy fails to meet the situation.

Violence in Indianapolis strike. Elec. Ry. Journ., Nov. 8, 1913. Pp. 4.

Workmen's compensation in Australia. Lab. Bull., Aug., 1913. Pp. 7.

A comparative analysis, including a conspectus showing the leading features of the acts in force in each state and in the commonwealth.

Rapports sur le chômage et les émigrations. Bull. de l'Assoc. Intern. pour la Lutte contre le Chômage, Oct.-Dec., 1913. Pp. 125.

A series of reports from the chief industrial countries of Europe on the relations between migrations and unemployment.

Hauptversammlung der Gesellschaft für Soziale Reform. Soziale Praxis, Nov. 27, 1913. Pp. 4.

Account of the discussion, at the 1913 meeting of the society, concerning the reforms necessary in the law relating to collective agreements.

Prices and Cost of Living

(Abstracts by Henry J. Harris)

BOWLEY, A. L. *Relation between changes in wholesale and retail prices of food.* Econ. Jour., Dec., 1913. Pp. 10.

Extracts from recent British price studies and computation of a mathematical formula showing the relation between wholesale and retail prices of food.

CLARK, E. *What work now buys in food and clothing.* N. Y. Times Annalist, Nov. 24, 1913. Pp. 2.

Compares wages in the textile industries with the index number for retail prices of food. Since 1907 there has been a marked decline in the purchasing power of the wages in the cotton, woolen, and silk industries.

GLIER, L. *Die Preiskurve und das Teuerungsproblem.* IV. Zeitschr. f. Socialwis., Oct., 1913. Pp. 17.

Comparison of prices at Hamburg (free port) with English and other prices.

GUENTHER, A. *Zur Frage der Lebenshaltung des Mittelstandes.* Archiv f. Frauenarbeit, Dec., 1913. Pp. 47.

Detailed study of cost of living of 8 families of men engaged in technical work (*Techniker*) such as engineers, architects, railway officials, etc. The method of collecting and analyzing the budgets is of special interest.

HELLER, V. *Probleme der Preisstatistik im Hinblick auf die Preisbildung.* Statistische Monatschrift, No. V, 1913. Pp. 61.

Careful general discussion of the technique of price statistics.

HELMS, B. *The cost of living and high prices.* Protectionist, Dec., 1913. Pp. 6.

Compares prices on Nov. 8, 1912, with those of Nov. 9, 1913, to best effect of the recent tariff act. Writer gives list of articles in which increases have occurred and similar list of decreases, and finds that the time has been too brief to permit of a generalization.

WOOD, F. *Index numbers for working class cost of living.* Econ. Journ., Dec., 1913. Pp. 8.

In constructing an index number for retail prices and cost of living, returns from both middle class and working class retailers should be secured, and a number of firms be included. Writer questions the value of the "predominant" prices reported by the Board of Trade. Care must be taken to secure uniformity in quality of articles for different years. The average for a period of years is preferable for the base.

WOOD, F. *The course of real wages in London 1900-12.* Journ. Royal Statist. Soc., Dec., 1913. Pp. 56.

Wages have not kept pace with prices; during the period 1900-1912, cost of living has increased by 7 per cent, while wages, when changes in the amount of employment are taken into consideration, increased by only about 1 per cent; the net result has been that in London, "real wages" have actually decreased by about 6 per cent.

Keeping down the cost of living in Germany. Daily Con. & Trade Repts., Nov. 18, 1913. Pp. 2.

The city of Nuremberg is now conducting 15 retail stores for the sale of fish and meat at cost. Popular courses of instruction in cooking are given in the city schools.

Reducing the cost of food distribution. Ann. Am. Acad., Nov., 1913. Pp. 306.

Collection of addresses.

Money, Credit, and Banking

(Abstracts by Don C. Barrett)

A. L. *Fünf Jahre deutscher Kleinbanken.* Die Bank, Oct., 1913. Pp. 7.

Small German banks classified in three groups according to capital. Those of the lowest group (less than 100,000 marks capital) are decreasing in number and are largely savings institutions whose deposits are out of proportion to capital.

BROCK, F. H. *Annu nagot om möjligheten för "a compensated dollar."* Ek. Tids., No. 9, 1913. Pp. 7.

Meets Wicksell's criticism of a previous article on the possibility of the "compensated dollar."

BROCK, F. H. *Om möjligheten för "a compensated dollar."* Ek. Tids., No. 6, 1913. Pp. 5.

Believes Irving Fisher's compensated dollar correct in pure theory, but seems to doubt its practicability because of "unreasonable egoism and mutual distrust" in the world of affairs.

CHLEPNER, B. S. *Sur un cas de renaissance sociale d'une monnaie.* Archives Sociologiques (Bulletin No. 28, Instituts Solvay), Oct. 18, 1913. Pp. 5.

COOKE, T. *Four years more of deposit guaranty.* Quart. Journ. Econ., Nov., 1913. Pp. 45.

The working of deposit guaranty in Oklahoma, Kansas, Nebraska,

and Texas, showing poor management in the first and resulting ill-success; comparatively good results in the other three states. Summary of principles based on these experiments.

CROAL, D. O. *American banking bill*. Bankers' Mag. (London), Nov., 1913. Pp. 8.

An adverse criticism of the currency bill with special reference to the possibility of the extension of American banking to foreign countries.

DUGUID, C. *The daily money article*. Lectures I and II. Journ. Inst. Bankers, Jan., 1914. Pp. 25.

EISFELD, C. *Zür Konzentration im niederländischen Bankwesen*. Die Bank, Oct., 1913. Pp. 8.

The movement for concentration in Holland began with the founding of the Rotterdamsche Bankvereinigung in 1911. Still doubtful whether other large combinations will follow.

EISFELD, C. *Die Noten der Niederländischen Bank. Ein Beitrag zur Frage der Ausgabe kleiner Noten*. Schmollers Jahrb., No. 4, 1913. Pp. 18.

A statistical study.

ENGLAND, M. T. *An analysis of the crisis cycle*. Journ. Pol. Econ., Oct., 1913.

Analysis of conditions surrounding crises, showing their cyclical character and certain distinct accompanying phenomena of loans, credit, and prices.

FOXWELL, H. S. Keynes' "Indian currency and finance." Econ. Journ., Dec., 1913. Pp. 11.

Detailed and very favorable review of Keynes' book.

FREWEN, M. *The Indian commission and silver*. Nineteenth Cent., Nov., 1913. Pp. 21.

An indictment of currency action in India. Shows futility of trying to force a gold standard; the enrichment of the lending class by closing the mint and making an artificially favorable rate of exchange. Great effect in unsettling world commerce.

GEORGE, E. M. *The loanable value of money*. Journ. Inst. Bankers, Nov., 1913. Pp. 12.

Analysis of various factors in the demand for capital. Influence of changes in purchasing power of money.

GRIFFITHS, J. F. *Banking facilities for small borrowers*. Daily Cons. & Trade Repts., Aug. 29, 1913. Pp. 2.

Increasingly difficult for small borrowers to secure loans from English banks.

HAYMAKER, K. V. *Farm loans and the land bank*. Am. Bldg. Assoc. News, Oct., 1913. Pp. 11.

Existing building associations furnish sufficient opportunity for farm loans without any new organization similar to the German land banks.

HEINEMANN, E. *Das Bankproblem im Lichte der kurzfristigen Depositen*. Jahrb. f. Nat. Oek., III, 46, 4, 1913. Pp. 25.

HEYN, O. *Neue Untersuchungen über die Frage der Wertstabilität des Geldes.* Zeitschr. f. Socialwis., Nov., 1913. Pp. 9.

HOGAN, J. V. *Bond investments by national banks.* Journ. Pol. Econ., Nov., 1913. Pp. 7.

Bond holdings of national banks too often a very large percentage of their deposits and, in some cases, many times their capitalization. Points out danger in case of a decline in value of bonds. Such a situation probably not contemplated in National Bank act.

HOLDEN, E. *National gold reserves.* Bankers' Mag. (London), Dec., 1913. Pp. 14.

HULTMAN, I. *Norges banks sedelutgifningsrätt.* Ek. Tids., No. 5, 1913. Pp. 5.
Discusses the note-issue power of the bank of Norway.

HULTMAN, I. *Sedelbankstatistik.* Ek. Tids., No. 5, 1913. Pp. 19.

A statistical comparison of all European central banks excepting those of Greece, Montenegro, and Turkey.

JACKSON, F. H. *Some reflections on modern country banking.* Journ. Inst. Bankers, Nov., 1913. Pp. 11.

Absorption of country banks by London banks. The branch banking system lends flexibility to currency.

JOHANSEN, N. *Points against the new currency bill.* Bankers' Mag., Oct., 1913. Pp. 3.

JOST, H. *Probleme der genossenschaftlichen Kreditorganisation.* Genossenschaftliche Zentralkassen. Schmollers Jahrb., No. 4, 1913. Pp. 91.

Gives an historical review of the development of central banks, and the coöperative fusion of central banks under main central banks—the general bank of Raiffeisen from 1874, the imperial coöperative bank at Darmstadt, and others. Comparison of the central bank system with the coöperative system. Central banks have been more prosperous.

LANSBURGH, A. *Der internationale Zahlungsmechanismus und das Welt giro (Goldwanderung II).* Die Bank, Oct., 1913. Pp. 18.

Julius Wolf's proposal to establish an institution of international accounts for transfers of cash is not practical. Instead of ending international gold movements it would increase them.

LANDSBURGH, A. *Die kleinen Noten der Reichsbank.* Die Bank, Nov., 1913. Pp. 9.

The notes of 20- and 50-mark denominations now legally issued by the Reichsbank, displace gold which is accumulated in the bank as a war-chest. Whether this gold will be dissipated by use as a reserve depends upon the wisdom of the bank management.

LEROY-BEAULIEU, P. *Les réserves d'or dans le monde: le taux de l'escompte et la circulation des billets.* L'Econ. Franç., Oct., 11, 1913. Pp. 3.

Scarcity of gold in Europe is caused by absorption of the metal by the United States, Argentina, and Russia—new countries. Increase in gold production does not account for rise of prices.

MEAD, E. S. *Currency reform under Wilson.* Lippincott, Dec., 1913.

MERRIAM, J. R. *Elastic currency*. World's Wk., Nov., 1913. Pp. 2.

Old mechanism of exchange in moving the cotton crop compared with the new with its extension of credit.

OWEN, R. L. *The pending banking and currency bill*. Moody's Mag., Oct., 1913. Pp. 4.

Origin and purpose of the Owen-Glass bill, with special reference to possible credit expansion.

POOLE, DEW. C. *Municipal second mortgage banks in Germany*. Daily Cons. & Trade Repts., Sept. 9, 1913. Pp. 3.

German methods of relieving embarrassment of urban credit.

RAFFALOVICH, A. *La Reichsbank et ses critiques*. L'Econ. Franç., Oct. 18, 1913. Pp. 3.

The Reichsbank criticised by agrarians, socialists, and many who fail to secure adequate accommodations. Considers Professor Plenge's sharp criticisms.

SHRIVER, E. J. *Modern banking*. Moody's Mag., Nov., 1913. Pp. 3.

Proposes a plan of extension of the clearing-house system, denying the need of more currency under modern conditions of exchange.

SPALDING, W. F. *The Indian gold absorption*. Journ. Pol. Econ., Nov., 1913. Pp. 11.

The channels by which India absorbs gold and the kind of coin absorbed. Effect upon England's reserves and upon prices.

THOMPSON, G. *Some notes on the first principles of foreign exchanges*. Scottish Bankers' Mag., Jan., 1914. Pp. 5.

VANDERLIP, F. A. *How to amend the currency bill*. No. Am. Rev., Nov., 1913. Pp. 10.

VAVASSEUR, J. *La nouvelle loi sur sociétés d'épargne*. L'Econ. Franç., Sept. 27, 1913. Pp. 2.

Mutual savings societies formerly without government control are now regulated by a new law.

WASHINGTON, W. DEH. *Our national banking system*. Forum, June, 1913.

WUANG, C. Z. *The ancient coins and currency of China*. Econ. Journ., Dec., 1913. Pp. 13.

WHITE, H. *Currency bill in the Senate*. No. Am. Rev., Jan., 1914. Pp. 9.

Explains the main points of the proposed new system, and how they are dealt with by the House, Owen, and Hitchcock bills. Favors the Hitchcock plan.

WICKSELL OCH D.D. *Aumärkningar til Doc. Brocks uppsatts*. Ek. Tids., No. 6. 1913. Pp. 224-229.

An answer to Dr. Brock; Wicksell recedes from a former, more sympathetic view of Irving Fisher's plan for a compensated dollar, and declares that the plan has not been worked out to its logical conclusion.

ZEUTHEN, F. *Irving Fisher's Forslag til Prisniveauets Stabilisering*. Nat. Øk. Tids., July-Aug., 1913. Pp. 349-364.

A favorable presentation of Irving Fisher's plan for a more stable price level.

Banks in the United Kingdom. Bankers' Mag. (London), Nov., 1913. Pp. 7.

Development of banking in England since 1894, with details and comment on the slow increase in capital.

Callable capital in banks. Bankers' Mag. (London), Oct., 1913. Pp. 8.

Counting the cost of the new currency bill. Bankers' Mag., Oct., 1913. Pp. 3.

Estimate of cost to banks in outlay for deposits in reserve banks.

The gold reserve problem. II, III. Bankers' Mag. (London), Oct., Dec., 1913. Pp. 7, 6.

Indian banks. Reflections and suggestions. Accountant, Nov. 8, 1913. Pp. 5.

The Indian situation presents many evils resulting from an unregulated banking system.

New currency bill a slap at the country banks. Bankers' Mag., Oct., 1913. Pp. 4.

It will cause a great decrease in loaning power of national banks and alarming contraction of credit to meet reserve requirements.

The Paris banks. Economist, Nov. 22, 1913.

The progress of banking in Great Britain and Ireland during 1913. Bankers' Mag. (London), Jan., 1914. Pp. 30.

Savings in Switzerland and the movement for the institution of postal savings banks. Mo. Bull. Econ. & Soc. Intelligence, Nov., 1913. Pp. 17.

A summary of the present status of banks and savings in Switzerland, with reference to the advisability of adopting the proposed postal savings bank system.

Why India hoards gold. Moody's Mag., Dec., 1913. P. 1.

Due to the fact that sovereigns and jewels form the only method of providing for females of a family, and that they form good security for personal loans.

Public Finance

(Abstracts by C. C. Williamson)

A. J. *Det tyske "Forsvarsbidrag."* Nat. ök. Tids., Sept.-Oct., 1913. Pp. 4.

Discusses the recent special military tax in Germany.

ADAMS, T. S. *The Wisconsin income tax.* Pol. Sci. Quart., Dec., 1913. Pp. 18.

State income taxes have generally failed because of the difficulties of administration. The Wisconsin law of 1911, however, has proved to be as easy to administer as a tax on real estate. Its success is to be attributed very largely to the body of non-political assessors or assessors protected by civil service rules. The traditional objection that the state income taxes cannot make use of collection at the source is met in Wisconsin by an extensive system of collection of information at the source.

ALEXINSKY, G. *La régie directe et les finances municipales*. Les Annales de la Régie Directe, May-July, 1913. Pp. 4.

Municipal ownership in Moscow has done much to solve the revenue problem for that city.

ALLCOCK, J. *National and local finance*. Accountant, Nov. 29, 1913. Pp. 5.
Suggests a local income tax to relieve the rates.

BROUSSE, E. *La spécialité des crédits budgétaires*. L'Econ. Franç., Oct. 4, 1913. Pp. 2.

The problem of a segregated budget and parliamentary control over its execution versus administrative freedom and efficiency.

BRUNET, R. *Les doubles impositions*. Rev. Sci. Légis. Finan., July-Aug.-Sept., 1913. Pp. 64.

BURKLIN, W. "Innere" und "äussere" Anleihen in China. Unter besonderer Berücksichtigung der Möglichkeit, die natürlichen Reichtümer Chinas zu kapitalisieren. Weltwirtsch. Archiv, Oct., 1913. Pp. 23.

CHAMBERLAIN, L. *The income tax and security prices*. Moody's Mag., Nov., 1913. Pp. 4.

Analyzing the influences of the income tax on security prices, Mr. Chamberlain concludes that "municipal bonds gain most by the law and 'unguaranteed' corporation bonds lose most."

CHARTON, P. *Chronique financière étrangère*. Rev. Sci. Légis. Finan., July-Sept., 1913. Pp. 32.

A review of Swiss federal finance for 1912.

CHIOZZA-MONEY, L. G. *The socialization of industry and national revenues*. New Statesman, Oct. 11, 1913. Pp. 2.

An argument for the nationalization of industry, not "merely as an expedient to gain national revenue," but for the double end of cheapening services and at the same time securing a revenue from profits.

COHN, G. *German experiments in fiscal legislation*. Econ. Journ., Dec., 1913. Pp. 10.

A discussion of the political conditions and forces which shaped the tax laws of 1913 passed to meet the expenses incident to increasing the army. Criticism is directed especially to the increment tax, which amends and supersedes the act of 1911.

COURVILLE, R. *La législation fiscale de l'alcool en France; ses défauts et les moyens d'y remédier*. Rev. Sci. Pol., Nov.-Dec., 1913. Pp. 11.

CRAMMOND, E. *The financial difficulties of federalism*. Quart. Rev., Nov., 1913.

CRAMMOND, E. *Financial preparation for war*. Nineteenth Cent., Nov., 1913. Pp. 20.

CURTIS, J. F. *The administrative provisions of the revenue act of 1913*. Quart. Journ. Econ., Nov., 1913. Pp. 15.

DELIMAE. *L'income tax. Son fonctionnement. Les raisons de son succès*. Rev. Pol. et Parl., Nov., 1913. Pp. 13.

E. *Die Einnahmen und Ausgaben der deutschen Grossstädte für Theater im Jahre 1911.* Verwaltung und Statistik, Nov., 1913. Pp. 2.

ELSTER, K. *Eine Reichaufwandsteuer.* Jahrb. f. Nat. Oek., Dec., 1913. Pp. 12.

EVE, G. *The systems of land valuation in the United Kingdom.* Mo. Bull. Econ. & Soc. Intelligence, Dec., 1913. Pp. 17.

An explanation of the present system, or lack of system, of valuation of land and improvements, both for the Lloyd-George taxes and those existing before 1910.

GARRISON, F. W. *The single tax.* Atlantic, Dec., 1913. Pp. 10.

This article by the grandson of William Lloyd Garrison has been widely commented upon. It is answered by Professor A. S. Johnson in the *Atlantic* for January, 1914.

GLENN, G. *The income tax law and deduction at the source.* Columbia Law Rev., Dec., 1913. Pp. 13.

HEINLY, B. A. *Los Angeles—a city in business.* Nat. Munic. Rev., Jan., 1914. Pp. 4.

The business aspects of the remarkable engineering works necessary to furnish Los Angeles with a water supply.

HENRY, L. P. *Chronique financière (1912-1913).* Rev. Sci. Pol., Nov.-Dec., 1913. Pp. 18.

An excellent review of French finances.

HILL, J. A. *The income tax of 1913.* Quart. Journ. Econ., Nov., 1913. Pp. 23.

HOLLANDER, J. H. *The regeneration of San Domingo.* Independent, Aug. 28, 1913. Pp. 5.

"How the United States has assisted a sister republic to regain its financial standing."

HUBRICH, E. *Steuerfreiheit der deutschen Bundesfürsten.* Die Grenzboten, Oct. 15, 1913. Pp. 10.

JOHNSON, A. S. *Case against the single tax.* Atlantic, Jan., 1914. Pp. 11.

The success of the single tax propaganda would bring on socialism by breaking down the great middle class.

K. *Ergebnissen preussischen Einkommensteuer-Veranlagung für Stadt und Land.* Verwaltung und Statistik, Nov., 1913. Pp. 5.

KEYS, C. M. *The income tax in operation.* Harper's Weekly, Dec. 7, 1913. Pp. 3.

KALLENBERG, E. *Nagra spörsmål rörande aktiebolagens tolkning.* Ed. Tids., No. 5. 1913. Pp. 16.

Questions concerning the Swedish corporation tax law as interpreted by the courts. Certain formal defects pointed out.

LERIS, P. *Les finances des villes au début du XX^e siècle.* Journ. des Econ., Oct. & Nov., 1913. Pp. 40.

Reviews the available sources of statistics of municipal finance for France, Italy, Germany and England; traces the growth of municipal

expenditures during the nineteenth century, especially in the period of 1892-1912; and points out the changes in emphasis from one object of expenditure to another. A striking feature of French municipal revenue is the large importance of the octroi. French municipalities complain that while the state still controls their functions and activities, it does not give them financial assistance and is actually burdening them with new expenditures for education and charities without providing sources of revenue.

LEROY-BEAULIEU, P. *L'aboutissement de quatre années de dilapidation des finances publiques: les projets financiers gouvernementaux.* L'Econ. Franç., Nov. 8, 1913. Pp. 3.

Reviews the work of the Chamber of Deputies elected in 1910.

LEROY-BEAULIEU, P. *Les projets financiers en vue.* L'Econ. Franç., Sept. 27, 1913. Pp. 2.

Opposed to income tax proposals and the growth of budgets.

LEROY-BEAULIEU, P. *La proposition des impôts aux revenus privées en Angleterre en Allemagne et en France.* L'Econ. Franç., Jan. 3, 10, 1914. Pp. 4.

The first article points out that the average income of individuals in England is 70 per cent greater than in France, and Germany is slightly below France. The second article attempts to determine the percentage of this income taken by taxation. In 1912 it is found to be from 10.9 to 11.3 per cent in England, 14.4 per cent in Germany, and in France 17 per cent.

LEROY-BEAULIEU, P. *La situation financière l'attente.* L'Econ. Franç., Dec. 20, 1913. Pp. 2.

LEROY-BEAULIEU, P. *Du type à choisir pour l'emprunt national français.* L'Econ. Franç., Nov. 15, 1913. Pp. 2.

Argues that under existing conditions it would be unwise to follow custom and issue the new loan of 1300 million of francs in the form of 3 per cent *rentes amortissable*. Prefers an issue at a higher rate which can be converted later when the financial situation improves.

LEUBSCHER, F. *Halving the tax upon improvements.* Real Estate Mag., Dec., 1913. Pp. 4.

A letter written by the President of the Society to Lower Rents and Reduce Taxes on Homes advocating the Salant-Schaap bill which provides for a reduction of the tax on improvements.

LONG, J. *The rating of land and its influence on its cultivation.* Land Values, Nov., 1913. Pp. 3.

Lower taxes and exemption of improvements would be a benefit to agriculture in various ways.

MEAD, E. S. *The income tax.* Lippincott, Jan., 1914. Pp. 5.

NAU, C. H. *Municipal recognition of the certified public accountant.* Journ. Account., Aug., 1913. Pp. 11.

Refers to the accounting and financial provisions of the new Cleveland home rule charter.

NIVEN, J. B. *Income tax law*. Journ. Account., Nov., 1913. Pp. 24.

In the November issue the *Journal of Accountancy* introduces a special department on the income tax law and its administration, conducted by Mr. John B. Niven, C. P. A. The first article summarizes the provisions of the law and gives the Treasury regulations thus far issued.

NORMAND, J. *L'impôt personnel-mobilier à Paris*. L'Econ. Franç., Dec. 20, 1913. Pp. 2.

ORCUTT, B. S. *Income tax complexities*. Rev. Rev., Jan., 1914. Pp. 6.

A useful review of some of the difficulties encountered in interpreting and administering the income tax act. Mr. Orcutt is connected with the *Wall Street Journal*.

PATTERSON, S. H. *Holding out the income tax*. Rand-McNally Bankers' Monthly, Dec., 1913. Pp. 5.

An excellent article by the expert of the New York trust companies special committee on the details of administration of interest to banks.

PATTERSON, S. H. *Regulations and provisions of the federal income tax*. Trust Companies, Nov., 1913. Pp. 15.

"How bondholders, banking institutions, and bond issuing corporations can comply with the regulations and provisions of the federal income tax respecting interest. Description of methods and forms for recording and handling income tax transactions, etc."

PHILOUZE, H. *Des conditions dans lesquelles se présente actuellement le crédit des états balkaniques*." Rev. Intern. Econ., Dec., 1913.

The fiscal consequences of the Balkan War.

VON POZZI, V. R. *Ueber die Ursachen der hohen italienischen Rentenkurse*. Zeitschr. f. Volkswirtsch., No. 2-3, 1913. Pp. 7.

The fact that Italian government bonds have remained at or above par since 1897, in spite of various public difficulties, is ascribed to their privileged position in the investment market, and to the demand stimulated by the rapid growth of saving.

POWELL, F. W. *Industrial bounties and rewards by American states*. Quart. Journ. Econ., Nov., 1913. Pp. 17.

An interesting collection of data. Among the industries which have received most attention are silk culture, growing of textile materials, such as flax, hemp, jute, etc., woollen manufactures and beet sugar. Sporadic cases of bounties to many other industries are recorded.

POWERS, L. G. *Increasing municipal indebtedness*. Nat. Munic. Rev., Jan., 1914. Pp. 5.

While the national debt has increased 4.8 per cent from 1902 to 1911, the debt of the 146 largest cities of the country has increased a little over 100 per cent.

RAPEL, C. L. *Our taxation problem*. South Atlantic Quart., Oct., 1913. Pp. 12.

Characterizes the tax system of North Carolina as "astonishingly ineffective and unjust." Recommends (1) the elimination of the con-

stitutional limitation on the rate of the general property tax; (2) abolition of the rule of uniformity; and (3) centralization of the assessment machinery. Segregation of sources of revenue is not considered practicable.

REED, R. R. *Effect of income tax requirements on corporate bonds and investment securities.* Trust Companies, Nov., 1913. Pp. 3.

RICCI, U. *L'imposta unica sui consumi non necessari.* Giorn. d. Econ., Oct., 1913. Pp. 34.

ROBINSON, A. *The single tax and what it would do to New York.* Real Estate Mag., Jan., 1914. Pp. 4.

A reply to an article in the December issue, by Charles T. Root.

ROOT, C. T. *The myth of the single tax.* Real Estate Mag., Dec., 1913. Pp. 4.

Advocates the single tax and argues that it is not taxation at all, but "the application of land values to common use as far as they will go, or as much of them as may be needed."

ROTTACH, E. *Les finances de la république chinoise.* Rev. Pol. et Parl., June, 1913. Pp. 16.

ROUGET, E. *L'organisation financière de l'Afrique équatoriale française.* Bull. de Colonisation Comparée, Nov., 1913. Pp. 115.

To be continued.

SHERMAN, G. E. *The recent constitutional amendments.* Yale Law Journ., Dec., 1913. Pp. 30.

Discussion of the 16th and 17th amendments, reviewing the Supreme Court decisions which made the former necessary.

SURET, L. *L'impôt national sur le revenu.* Rev. Socialiste, Nov., 1913. Pp. 15.

A review of the criticisms made on the government's income tax project of 1913.

TODSEN-FLEUSBURG. *Die Ueberlastung der Städte mit Ausgaben für das Volksschulwesen.* Kommunale Rundschau, Oct. 1, 11, 1913. Pp. 7.

VOUTERS, H. *La couverture financière des dépenses militaires allemandes.* Rev. Sci. Légis. Finan., Oct.-Nov.-Dec., 1913. Pp. 133.

A study of the new taxes and changes in existing taxes made necessary by the military act of 1913. Translations of the imperial tax acts of July 3, 1913, are appended.

WARREN, C. *A bulwark to the state police power—The United States Supreme Court.* Columbia Law Rev., Dec., 1913.

Incidental to the main purpose of this article the author classifies more than a hundred cases in which the United States Supreme Court has passed upon state tax laws, nearly half of them being held invalid.

WRIGHTINGTON, S. R. *The federal income tax.* Rollins Mag., Oct., 1913. Pp. 5.

YOUNG, J. *New York state franchise tax on corporations.* Journ. Account., Nov., 1913. Pp. 13.

Income tax allowances. Accountant, Nov. 15, 1913. Pp. 4.

Editorial criticism of the report of a special committee of the Association of Commerce on defects in the methods of assessing the English income tax, especially in the matter of depreciation.

The income tax returns. Facts against Socialism, Sept.-Oct., 1913. Pp. 3.

An analysis of the *Report of the Commissioners of Inland Revenue* on the income tax paid in 1912-1913, to show that socialists greatly overestimated the number of incomes above £8,000.

Indian progress and taxation. Quart. Rev., Nov., 1913.

The progress of the single tax movement. Real Estate Mag., Oct., 1913. Pp. 7.

Spending posterity's credit. N. Y. Times Annalist, Nov. 3, 1913. Pp. 2.

New York City's debt is now almost as great as the debt of the United States government.

The super-tax and some other branches of inland revenue. Economist, Oct. 25, 1913.

Taxation of landed property. Bull. Bur. Econ. & Soc. Intelligence, Oct., 1913. Pp. 8.

Gives the chief historical features of the Japanese land system and the land tax, with many details and statistics bearing on the present situation.

Taxes in a tariff reformed country. Nation (London), Nov. 1, 1913. Pp. 2.

A review of Roccagagliata's *Come si pagano le imposte e le tasse in Italia*, showing how seriously tax-ridden Italy has come to be.

Le budget de 1914 et les propositions gouvernementales. L'Econ. Franç., Nov. 8, 1913. Pp. 3.

La contribution militaire extraordinaire de l'empire allemand et l'impôt sur la plus-value des fortunes. Rev. Sci. Pol., Nov.-Dec., 1913. Pp. 28.

The number of articles called forth shows the keen interest among European states in the financial burden Germany has assumed for military purposes—a burden almost without precedent in time of peace.

La dette publique. Bull. Statist. Légis. Comp., Sept., 1913. Pp. 2.

Comparative tables and chart showing the public debt of Italy for the years 1885-1912.

Les octrois en 1912. Bull. Statist. Légis. Comp., Sept., 1913. Pp. 14.

Detailed statistical report. Total revenue was 324,074,583 francs, or 8,973,305 more than in 1911.

Les recettes et les dépenses de l'état hongrois de 1906 à 1910. Bull. Statist. Légis. Comp., Aug., 1913. Pp. 3.

Statistical tables with comparative data for two preceding quinquennial periods.

Les revenus des impôts sur les sucres de 1909 à 1912. Mouv. Econ., Oct., 1913. Pp. 5.

Statistical study for Roumania.

Gliederung der städtischen Gemeindesteuern in Preussen. Verwaltung und Statistik, Aug.-Sept., 1913. Pp. 3.

Der Haushalt der ungarischen Gemeinden im Jahre 1908. Volkswirtsch. Mitteilungen aus Ungarn, Oct., 1913. Pp. 51.

Tariffs and Reciprocity

(Abstracts by Henry R. Mussey)

AJAM, A. *Le conflit économique franco-allemand.* Journ. des Econ., Nov. 15, 1913. Pp. 13.

A plea for more friendly treatment of German trade by France lest French trade in Germany be injured.

ABERDAM, S. *Quelques effets du protectionnisme agraire en Hongrie.* Journ. des Econ., Dec. 15, 1913. Pp. 33.

A study showing the prevalence of extensive agriculture, the poorness of soil, and the height of agricultural prices in Hungary, and attributing these evils largely to the influence of agrarian protection.

CULBERTSON, W. S. *A competitive tariff.* N. Y. Times Annalist, Dec. 8, 15, 22, 1913, Jan. 2, 1914. P. 1 each.

A popular description of the new tariff law, pointing out the leading features of each schedule, with comment and criticism, and with some suggestion of probable consequences.

DOSCH, A. *Business and tariff reduction.* World's Wk., Dec., 1913. Pp. 5.

An optimistic account of the way in which business is going forward under the new tariff. A story of lower prices, increased activity and greater profits.

DOWSE. *The new tariff modeled after the law of nature.* Protectionist, Dec., 1913. Pp. 6.

An attack on the Underwood law for its effort to open our markets to foreign competition, from the president of the Home Market Club.

MARVIN, W. L. *In the senate and conference.* Bull. Nat. Assoc. Wool Mfgs., Sept., 1913. Pp. 46.

The legislative history of the woolen schedule of the new bill from June 20, completing the account given in the *Bulletin* for June. Gives the various substitutes proposed in the senate.

MARVIN, T. O. *The Home Market Club.* Protectionist, Aug., 1913. Pp. 16.

The statement and testimony of the secretary of the club before the Senate judiciary committee investigating the lobby.

MCPHERSON, J. B. *James Moore Swank: protectionist.* Bull. Nat. Assoc. Wool Mfgs., Sept., 1913. Pp. 14.

An appreciative sketch of the man who for 40 years has guided the activities of the American Iron and Steel Association and has conducted its tariff campaigns.

STONE, N. I. *Our new tariff.* Rev. Rev., Oct., 1913.

An optimistic forecast of development under the new law. Antici-

pates a permanent lowering of rates because of the growth of our manufactures.

STONE, N. I. *The Underwood-Simmons tariff*. Rev. Rev., Nov., 1913. Pp. 8.

An analysis of the new bill giving the changes in detail, schedule by schedule, showing how well the Democrats redeemed their promise of downward revision, but pointing out several details in which apparent concession was made to southern protectionist desires.

TAUSSIG, F. W. *The tariff act of 1913*. Quart. Journ. Econ., Nov., 1913. Pp. 30.

A comparison of the principles of revision employed in this and former tariffs, and an estimate of the probable results of the act. Concludes that these will be relatively small, but that the changes were worth making, if only to show the comparative unimportance of the tariff question.

TURNER, W. *What has been: A study in tariffs*. Westminster Rev., Oct., Nov., Dec., 1913. Pp. 7, 7, 9.

The advantages of free trade. The British tinplate industry under the McKinley act, the American and the British shipping industry, and the commercial history of Holland are adduced in demonstration.

WHELFLEY, J. D. *The fallacy of an imperial food supply*. Fortn. Rev., Dec., 1913. Pp. 12.

"There would be no anxiety as to the future supply of bread and meat, and it makes no difference where these staples are produced, for the surplus available for export is an international asset." A common-sense, broad-range discussion of an important question.

Administrative features of the tariff. Protectionist, Nov., 1913. Pp. 5.

A detailed consideration of the changes in the administrative section of the new tariff law.

The Senate "lobby" investigation. Bull. Nat. Assoc. Wool Mfgs., Sept., 1913. Pp. 17.

The testimony of the woolen men before the lobby committee, with some criticism of the President.

Tariff reform and the land. Mo. Notes Tariff Reform, Nov., 1913.

Agricultural protection urged as an alternative to Lloyd-George's proposals.

Tariff reform and the minimum wage. Nat. Rev., Sept., 1913.

The new American tariff. Mo. Notes Tariff Reform, Nov., 1913.

Its protective character pointed out.

Insurance and Pensions

BALDWIN, F. S. *Old-age insurance*. Am. Underwriter, Aug., 1913.

BELLOM, M. *L'assurance ouvrier en Russie*. L'Econ. Franç., Dec. 13, 1913.

BELLOM, M. *Les premiers résultats de la nouvelle loi anglaise d'assurance sociale*. Journ. des Econ., Nov., 1913.

- BEYER, D. S. *Preventing industrial accidents in Massachusetts*. Survey, Dec. 13, 1913.
- FISCHER, A. *Vermisste Folgen der deutschen Sozialversicherung*. Jahrb. f. Nat. Oek., III, 46, 5, 1913.
- GIBBON, I. G. *The working of the insurance act*. Econ. Journ., Dec., 1913.
- HAGEN, O. *Die neuen Hagelversicherungs-Bedingungen*. Zeitschr. f. ges. Versicherungswis., Jan., 1914.
- LANSBURGH, A. *Der Kampf um die Volksversicherung*. Die Bank, Dec., 1913.
- LOCK, F. *The relation of fire insurance to incendiarism*. Am. Underwriter, Sept., 1913.
- OSBORN, C. *National health insurance*. Charity Organ. Rev., Oct., 1913.
- PHELPS, E. B. *The pernicious growth of the demand for policy loans*. Am. Underwriter, Sept., 1913.
- RAFFALOVICH, A. *Le marché des capitaux et les assurances en Allemagne*. L'Econ. Franç., Nov. 29, 1913.
- RITTER, C. *Vom Grundsatz der allgemeinen Gefahrendeckung im Seeversicherungsrechte, insbesondere die Gefahr des Verschuldens der Schiffsbesatzung*. Zeitschr. f. ges. Versicherungswis., Jan., 1914.
- TAYLOR, J. M. *Loans on life insurance policies*. Am. Underwriter, Oct., 1913.
- THORSEN, C. *Skoleforsikringskasser*. Nat. ök. Tids., Sept.-Oct., 1913. Pp. 449-466.
- A sympathetic presentation of Cavé's plan to gather school children into mutual insurance societies to protect against sickness and old age, particularly the latter.
- TRAP, C. *Den svenske lov af 30. juni 1913 om en almindelig Pensionsforsikring*. Nat. ök. Tids., Sept.-Oct., 1913. Pp. 467-472.
- The Swedish old-age pension law of June, 1913—an attempt to combine the better features of compulsory insurance and poor relief.
- WENDT, J. *Die Verwaltungskosten der Volksversicherung*. Zeitschr. f. ges. Versicherungswis., Jan., 1914.
- WICKSELL. *Resultatet*. Ek. Tids., No. 6, 1913. Pp. 211-217.
- A rather unfavorable criticism of the Swedish old age pension law of 1913.
- WILKINSON, REV. J. F. *The working and amending of the insurance act*. Nineteenth Cent., Nov., 1913.
- Application of the federal law of June 13th, 1911, on sickness insurance*. Mo. Bull. Econ. & Soc. Intelligence, Nov., 1913.
- Medical service under the insurance act*. New Statesman, Nov. 1, 1913.
- Select list of references on pensions for mothers, motherhood insurance, etc.* Special Libraries, Nov., 1913.
- The truth about malingering*. New Statesman, Dec. 6, 1913.

Arbeiterversicherung. Sparkassen. Der Kampf zwischen Urzten and Krankenkassen. Soziale Praxis, Oct. 30, 1913.

Die Krankenversicherung der Dienstboten. Soziale Praxis, Nov. 13, 1913.

Population and Migration

(Abstracts by William B. Bailey)

BERTILLON, J. *De l'influence grèves sur la natalité.* Mus. Soc., Nov., 1913. Pp. 2.

The effect of a strike in Montceau-les-Mines in reducing the birth-rate from 37 to 14 per thousand. This fall occurred in three years. The result of the strike was to make the entire district socialistic.

ELBERLING, E. *Udlændinge i Danmark.* Nat. ök. Tids., Sept.-Oct., 1913. Pp. 502-505.

The percentage of foreigners in Denmark is small and the tendency is toward assimilation.

HALL, P. F. *The recent history of immigration and immigration restriction.* Journ. Pol. Econ., Oct., 1913. Pp. 17.

A study of the immigration legislation which has been enacted since 1907 and the various attempts to pass a bill containing the literacy test. At the same time certain statistics are quoted to show the increase in the number of criminals, insane, and paupers among recent immigrants.

HOLT, W. L. *Economic factors in eugenics.* Pop. Sci. Mo., Nov., 1913.

HUTCHINS, B. L. *Infantile mortality and the proportion of the sexes.* Journ. Royal Statist. Soc., Dec., 1913. Pp. 3.

The effect of the decreasing mortality rate in making the number of the sexes more nearly equal in England and Wales. Urban and rural districts are compared for 1901 and 1911.

JENSEN, A. *Den aftagende Fødselshyppighed.* Nat. ök. Tids., Sept.-Oct., 1913. Pp. 417-448.

A study of the decreasing birth-rate in Europe, particular attention being given Denmark. Does not believe in French and German legislative programs as the remedy, but rather in new race ideals.

KOEHLER, W. *Die sozialwissenschaftliche Grundlage und Struktur der Malthusianischen Bevölkerungslehre.* Schmollers Jahrb., No. 3, 1913. Pp. 61.

LEROY-BEAULIEU, P. *Le mouvement de la population au Japon.* L'Econ. Franç., Oct. 25, 1913. Pp. 3.

A study of the births, marriages, divorces, and deaths in Japan in the year 1910. Also the changes in death rates during the past decade.

LEPPINGTON, C. *Infant and child mortality.* Charity Organ. Rev., Dec., 1913. Pp. 7.

An analysis of the causes of infant mortality in the report submitted by Dr. Newsholme of the Local Government Board of London. The effect of temperature upon infant mortality is given particular attention.

LEVY, H. *Der Ausländer. Ein Beitrag zur Soziologie des internationalen Menschaustausches.* Weltwirtsch. Archiv, Oct., 1913. Pp. 16.

A very interesting study of the different causes of immigration and emigration from the Middle Ages down to the present.

VON MARQUET. *Der österreichische Auswanderungsgesetzentwurf.* Soz. Praxis, Dec. 4, 1913. Pp. 3.

The causes which have led to the law restricting emigration from Austria. When this article was written the law was before the Austrian parliament.

MUELLER, E. *Ueber das Geschlechtsverhältnis der bayerischen Bevölkerung.* Jahrb. f. Nat. Oek., III, 45, 5, 1913. Pp. 12.

REED, H. L. *Immigration and insanity.* Journ. Pol. Econ., Dec., 1913. Pp. 3.

A criticism of a section of Prescott's article on "Immigration and Immigration Restriction" in the *Journal of Political Economy* for October, 1913. Claims that Mr. Hall failed to take into account the peculiar age distribution of the foreign-born population of this country, and gave an exaggerated picture of the extent of insanity among this group.

ROSS, E. A. *Social effects of immigration.* Century, Dec., 1913.

ROSS, E. A. *Immigrants in politics.* Century, Jan., 1914.

SCHULTZE, E. *Die Verschwendung von Menschenleben in den Vereinigten Staaten. I.* Zeitschr. f. Socialwis., Nov. 5, 1913. Pp. 12.

A statistical study of the number of lynchings, murders, and accidents upon railways and in mines, in the United States. A comparison is made of the loss of life in the great countries and industry in the past century.

WOLF, I. *Soziale und nationale Seite des Bevölkerungsproblems.* Zeitschr. f. Socialwis., Dec., 1913. Pp. 11.

A scholarly article discussing the Malthusian theory. Had it not been for the rapid reduction in the death-rate the growth in population of many European countries would have ceased by this time. The question is whether in the near future the birth-rate is going to diminish more rapidly than the death-rate.

Pauperism and Charities

(Abstracts by Frank D. Watson)

BAILWARD, W. A. *Old age pensions and the poor law.* Char. Organ Rev., Oct., 1913. Pp. 16.

Discusses certain evils connected with the working out of the old-age pensions act, especially its overlapping with poor law relief and its lack of provision for old people unable to take care of themselves.

BIEBUYCK, A. *Les fondations charitables en Hollande.* Réf. Soc., Dec. 16, 1913. Pp. 11.

In Holland private charity is given a place of favor such as it occupies in no other European country.

CUYLITS, J. *Le régime des "charities" en Angleterre.* Réf. Soc., Dec. 1, 1913. Pp. 14, 19.

Discusses the legal basis, the history, the advantages, and the legal regulations of charitable trusts in England.

FEUCHTWANGER, L. *Der Eintritt Bayerns in das Reichsarmenrecht.* Schmollers Jahrb., No. 4, 1913. Pp. 38.

HUBERT, VALLEROUX. *La charité privée en France avant 1789.* Réf. Soc., Oct. 16, 1913. Pp. 10.

A review of private charity in France before 1789 awakens surprise at its extent and shows the marked influence of Christianity as expressed in personal service.

OSBORN, C. *Prosperity and state dependence.* Char. Organ. Rev., Dec., 1913.

Criticises the optimistic note of the *Forty-Second Report of the Local Government Board* dealing with the administration of the poor law, of the old age pensions act and of the unemployed workmen act.

PLANTET, E. *L'état présent de la bienfaisance privée à Paris.* Réf. Soc., Oct. 16, 1913. Pp. 23.

An appreciative article reviewing the progress of private charity in Paris since the Revolution and contrasting the organizations existing in 1819, in 1897, and in 1912.

PRAYDU, J. *La bienfaisance privée en péril.* Mouv. Social, Nov. 15, 1913. Pp. 17.

Shows the dangers involved in a law passed by the Chamber of Deputies in July, 1912, for supervising private charities.

Statistics

(Abstracts by A. A. Young)

A. J. *En Formel for angivelsen af Befolkningens Koncentration.* Nat. ök. Tids., July-Aug., 1913. Pp. 10.

Suggests a formula for determining the concentration of population for purposes of comparison.

BELLOM, M. *La statistique internationale de l'assurance contre l'invalidité. I.* Journ. Soc. Stat., Dec., 1913. Pp. 11.

A report presented at the Vienna session of the International Statistical Institute. This first installment deals with methods, including actual formulas.

CRUM, F. S. *Street traffic accidents.* Quart. Pubs. Am. Stat. Assoc., Sept., 1913. Pp. 56.

A very thorough analysis of the situation together with an appeal for better statistics.

CUMMINGS, J. *The permanent census bureau: a decade of work.* Quart. Pubs. Am. Stat. Assoc., Dec., 1913. Pp. 33.

An account of the intercensal work of the census bureau. "The condition has been created, which did not previously exist, under which continuity in improvement and extension is possible."

DUBLIN, L. I., and KOFF, E. W. *An experiment in the compilation of mortality statistics.* Quart. Pubs. Am. Stat. Assoc., Dec., 1913. Pp. 9.

The statistical bureau of the Metropolitan Life Insurance Co., returns about 8 per cent of the death certificates received to the physician for additional information. This has resulted in changing the classification of cause of death in 55 per cent of such cases.

DURAND, E. D. *The census methods of the future.* Quart. Pubs. Am. Stat. Assoc., Dec., 1913. Pp. 19.

Recommendations for fundamental changes in census methods. Special stress is put upon an increased use of annual inquiries, especially in agriculture and manufactures, and the reduction of the scope of the decennial inquiries, together with the use of mail carriers as enumerators, especially in the rural regions.

FAURE, F. *Alfred de Foville.* Journ. Soc. Stat., Nov., 1913. Pp. 40.

An appreciative account of the life and work of the distinguished economist and statistician.

GOLDENWEISER, E. A. *The mother tongue inquiry in the census of population.* Quart. Pubs. Am. Stat. Assoc., Dec., 1913. Pp. 7.

Concludes that the results of this innovation in the thirteenth census justify its retention in future censuses.

HARRIS, J. A. *On the calculation of intra-class and inter-class coefficients of correlation from class moments when the number of possible combinations is large.* Biometrika, Oct., 1913. Pp. 26.

Methods for the rapid calculation of these coefficients, based on the calculation of moments and product moments from zero as origin.

HUBER, M. *Durée des mariages.* Bull. Stat. Gén., Oct., 1913. Pp. 18.

Constructs a "survivorship" table for marriages in France, although (because of paucity of material) the methods used are less accurate than in Böckh's well-known tables for Berlin.

KOREN, J. *The International Statistical Institute, XIVth session, Vienna, September, 1913.* Quart. Pubs. Am. Stat. Assoc., Sept., 1913. Pp. 10.

Other accounts of this session of the Institute will be found in *Journ. Royal Stat. Soc.*, Dec., 1913; *Journ. d'Econ.*, Oct., 1913; *Journ. Soc. Stat.*, Nov., 1913; *Bull. Stat. Gén.*, Oct., 1913 (this last with especially full abstracts of papers and reports).

LEONARD, W. E. *An index of changes in extractive industries.* Quart. Pubs. Am. Stat. Assoc., Sept., 1913.

The production of 25 staple products of farms, forests, and mines is compared by means of index numbers (a general average and group averages are used) with the growth of population. A useful study, of a sort very common in Europe, especially in France and Italy, but too infrequent in the United States.

MACDONNELL, W. R. *On the expectation of life in ancient Rome, and in the provinces of Hispania and Lusitania.* Biometrika, Oct., 1913. Pp. 14.

Survivorship tables based on material in the *Corpus Inscriptionum Latinarum*. Results indicate (as compared with present facts) a very

high mortality at the younger ages and a very low mortality at advanced ages. But the author's discussion of the accuracy and representative character of his data is altogether inadequate.

MARCH, L. *Contribution à la statistique des fonctionnaires.* Bull. Stat. Gén., Oct., 1913. Pp. 27.

Statistics of the number of permanent public employees and their salaries are pieced together for France from various sources. The international comparisons are based largely on occupation statistics and are unsatisfactory. But a noteworthy recent increase in the number of public employees is clearly shown, this increase being less for France than for England, Belgium, Italy or Japan.

MARK, M. *Die Emissionsstatistik in Deutschland und einigen ausländischen Staaten.* Schmollers Jahrb., No. 4, 1913. Pp. 60.

A very useful comparison and critical analysis of the statistics of the amount of new securities offered on the market. For Germany the statistics of the *Deutsche Oekonomist*, the *Frankfurter Zeitung* and (for securities admitted to the exchanges) of the Kaiserliches Statistische Amt are reviewed. For other countries the (London) *Economist*, the *Economiste Européen*, and the *Moniteur des Intérêts Matériels* are used.

MEURIOT, P. *Le Reichstag impérial (1871-1912).* Journ. Soc. Stat., Oct., Nov., Dec., 1913. Pp. 32, 18, 12.

A detailed statistical study of the changes in the voting strength of the various political parties of Germany.

MUELLER, E. *Soziologie und Statistik.* Zeitschr. f. Socialwis., Nov., 1913. Pp. 6.

Argues, as against Von Mayr (*Begriff und Gliederung der Staatswissenschaften*), that sociology is not merely one of three general social sciences (statistics, social theory, sociology), but is of a more general and synthetic nature. Along familiar lines.

NICEFORO, A. *Les "classiques" et les "techniciens."* Journ. Soc. Stat., Oct., 1913. Pp. 22.

An interesting study (by the professor of statistics in the Faculty of Law of Rome) of the comparative success in various examinations in the faculties of science in Italian universities of students who had been prepared in classical and in technical schools respectively. The results seem to indicate some superiority on the part of the "techniciens."

SCHIFF, W. *Zur Methode und Technik der Haushaltungsstatistik.* Ann. f. Soz. Pol. u. Gesetzgebung, III, 1-2, 1913. Pp. 74.

History, criticism, and analysis of the general problems of statistics of family budgets. An important contribution.

NOTES

The *Survey* for January 24, 1914, contains brief accounts of the meetings of the American Association for Labor Legislation, American Economic Association, American Political Science Association, and American Sociological Society.

At the Second Annual Meeting of the Chamber of Commerce of the United States, held at Washington, February 11-13, 1914, two entire sessions were devoted to a discussion of anti-trust legislation. Addresses were given by Mr. William L. Saunders, President Van Hise of Wisconsin, Mr. Louis D. Brandeis, Professor Seager, Mr. Victor Morawetz, and others, on the subject of interlocking directorates, an interstate trade commission, and maintenance of resale prices.

A National Conference on Unemployment was held in New York, February 27-28, under the auspices of the American section of the International Association on Unemployment and the American Association for Labor Legislation.

The Third Annual Meeting of the Michigan State Tax Conference was held in Kalamazoo, January 5-6. A paper on *Taxation of Railways* was read by Professor Friday of the University of Michigan.

At a quarterly meeting of the American Statistical Association, in New York, December 4, there was a discussion of municipal vital statistics.

On February 5 and 6 a state tax conference was held in Bloomington, Indiana. Addresses were delivered by Professor Friday of the University of Michigan, Professor Joseph French Johnson of New York University, and Mr. Lawrence Purdy of New York. A permanent tax association was organized with Professor W. A. Rawles, dean of the State University of Indiana, as president.

A National Conference on Race Betterment was held in Battle Creek, Michigan, January 8-12. Among the papers to be noted are *Race Progress as Measured by Changes in Death-Rate*, by F. L. Hoffman; *Differential Fecundity*, by W. F. Willcox; *The National Department of Health*, by Irving Fisher; and *Social Surveys*, by S. M. Harrison. Further information in regard to the activity of this conference may be had of Miss Emily F. Robbins, Battle Creek, Michigan.

The organization of the sessions of the International Congress of Social Insurance, to be held in Washington, October, 1915, has been completed, with Mr. Miles M. Dawson, New York City, as secretary-general (141 Broadway, New York).

The Annual Meeting of the American Academy of Political and Social Science, to be held in Philadelphia on April 3 and 4, will be devoted to the general subject of The Present International Relations and Obligations of the United States.

The Western Economic Society will hold a Conference on Co-operative Marketing and Farm Credits in Chicago on April 14, 15, and 16.

The National Citizens' League, which has taken an active part in developing currency reform during the past two years, has completed its work. There will consequently be no further issues of *Banking Reform*.

Professor Emory R. Johnson, who was appointed by President Taft as special commissioner of Panama traffic and tolls, has completed his work for the federal government. His first report, dealing with *Panama Traffic and Tolls*, appeared in December, 1912, President Taft having set the tolls at the rates recommended by Professor Johnson. The second report, which discusses *Measurement of Vessels for the Panama Canal*, was issued in December, 1913.

The *Twenty-Third Annual Report of the New York Tax Reform Association*, for 1913 (A. C. Pleydell, secretary, 29 Broadway, New York City, pp.7), gives a review of legislation enacted by different states during the past year.

"The Monthly Catalogue of Government Publications," in reply to inquiries in regard to the hearings before the Railroad Securities Commission, of which President Hadley was chairman, held in 1910-11, states that the evidence which was then taken filled about 5,000 typewritten pages. A typewritten copy was supplied to each member of the commission and to the Interstate Commerce Commission. Indexes were made and printed in small number, but the evidence itself has not and probably will not be printed.

Announcement has been made that prizes offered by Hart, Schaffner and Marx for 1913 have been awarded as follows: In Class A: First prize to Arthur E. Suffern, for a paper entitled *Conciliation and Arbitration in the Coal Industry in the United States*; Second prize, to G. P. Watkins, for a paper entitled *Welfare as an Economic Quan-*

tity; and Honorable Mention is made of W. J. A. Donald, for a paper on *The Canadian Iron and Steel Industry*.

In Class B: First prize was granted to J. W. Myers, undergraduate in Cornell University, for a paper on *Unemployment*; and second prize to F. W. Eckert, of Northwestern University, for a paper on *Government Regulation of Public Utility Securities*.

The Department of Research of the Women's Educational and Industrial Union (264 Boylston Street, Boston) announces three paid fellowships and four honorary fellowships in economic research.

A commission has been appointed by the Canadian government to conduct an investigation into the increased cost of living in Canada, and into the causes which have operated in bringing about the advance.

The *Bulletin* of the British Library of Political Science, published by the London School of Economics, for January, 1914, contains a bibliography on state medical service.

Professor A. W. Flux has recently given the Newmarch lectures on "The National Output" as shown by the census of production. In his final lecture is demonstrated that the production per head in the United States was approximately double that shown by the census for the United Kingdom.

The Fabian Research Department announces through its chairman, Mr. Sidney Webb, that it will undertake during the next few months an intensive investigation of the working of part 1 of the National Insurance Act (sickness). The committee has divided itself into seven subcommittees, dealing with documents, medical, tuberculosis, maternity, claims, institutions and poor law, and approved societies.

The National City Bank of New York published in its January circular the text of the Federal Reserve Act, and announces that in succeeding numbers it will continue the publication of official orders and statements in regard to the development of the new system.

The Library of Congress has published a *List of American Doctoral Dissertations Printed in 1912*, prepared by Charles A. Flagg (Washington, 1913, pp. 106).

The National Tax Association announces that a new edition of volume II of the *Proceedings of the Annual Conferences*, which has been out of print, will be reprinted (A. E. Holcomb, 15 Dey Street, New York). The association also announces the publication of volume VII of the *Proceedings*, containing the papers presented at the conference held in October, 1913.

The Department of Social Ethics in Harvard University has published *Bulletin No. 2 of the Social Research Council of Boston*. In 1912 this council published a bulletin entitled *A Preliminary List of Recent Social Investigations in Greater Boston*. This second bulletin brings the list down to date of September, 1913. It notes the inclusion of a new type of research, reported upon in serial documents (Cambridge, Harvard University, pp. 38).

In the report of the Librarian of Congress for 1913, it is announced that the Library has secured the papers of Hugh McCullough, Secretary of the Treasury from 1865 to 1869.

Financial History of Massachusetts, by Dr. C. H. J. Douglas, originally printed in volume I of the "Columbia University Studies in History, Economics and Public Law," has been reissued by Longmans, Green and Company.

The English house of the Macmillan Company announces the publication of *An Introduction to Economics for Indian Students*, by W. H. Moreland; and *Economic Notes on English Agricultural Wages*, by Reginald Lennard. The American branch announces *Violence and the Labor Movement*, by Robert Hunter; *Property and Contract in their Relations to the Distribution of Wealth*, by Richard T. Ely; *Why is the Dollar Shrinking: A Study of the Causes Underlying the High Cost of Living*, by Irying Fisher; *Work and Wealth: A Human Valuation*, by J. A. Hobson; *Where and Why Public Ownership Has Failed*, by Yves Guyot; *A Theory of Interest*, by C. G. Hoag; *The Influence of the Gold Supply on Prices and Profits*, by Sir David Barbour; and *Commercial Education in Germany*, by Frederic E. Farrington.

A forthcoming book from Smith Elder & Co. is *Principles of Property*, by Boyd Kinnear.

Hodder and Stoughton will soon publish the second part of the *Report of the Land Enquiry Committee*, dealing with the question of urban land.

The publishing house of Murray announces the publication of *Social Work in London, 1869-1912—a History of the Charity Organization Society*, by Helen Bosanquet; and *Study of the Land*, by J. A. R. Marriott.

Beginning with the issue for January 17, 1913, the *Survey* has introduced a department devoted to the subject of social insurance.

In this number there appears an article on "Twenty Years of Old-Age Pensions in Denmark," by Katharine Coman.

The March issue of *The Annals* of the American Academy of Political and Social Science is devoted to the subject of *Reform in Administration of Justice*.

The Southern Banker, of Atlanta, Georgia, and *The Gulf States Banker*, of New Orleans, Louisiana, have consolidated, and will be published under the name of the *Southern Banker* (New Orleans).

The Nation's Business for January 15, 1914, published a comprehensive summary of the work of promoting commercial training in the American universities which have special courses for this purpose. Courses in fourteen universities are described.

Messrs. L. Upcott, Gill & Sons (London, Drury Lane, W. C.) have begun the publication of *The International Review of Commerce and Industry*, a monthly, edited by T. Swinborne Sheldrake. The first number appeared in December, 1913. The price per number is 2s. In the first issue is an article by Professor Ashley on "Commerce and the Universities."

The Oxford University Press announces the publication of the *Political Quarterly*.

The publishing house of Teubner, Leipzig, announces the publication of an annual entitled *Das Jahr 1913. Ein Gesamtbild der Kulturentwicklung*, published under the editorship of Dr. D. Sarason. Among the articles to be noted are "Economics," by Professor A. D. Weber; "Finance," by Professor S. P. Altmann; "Trade and Industry," by Dr. G. Stresemann; "Commerce," by Professor O. Blum; "Agriculture," by Dr. W. Wygodzinsky.

The Archiv für Frauenarbeit is a journal recently established for the purpose of portraying the influence of wage-earning women upon economic development, whether through the professions, in business, or in the factory. It is edited by Dr. J. Silbermann, and published quarterly, each number containing about 100 pages, at a subscription price of 8 M. (Berlin, Kaufmännischer Verband für weibliche Angestellte E. V.). In its contents for the first year, 1913, were included descriptions of the conditions obtaining in various trades in which women are engaged, hours or labor, wage statistics, etc.; some account of trade unions, teachers' conferences, and other organizations of women; and articles on the advancement of women in the business world; woman suffrage; and the relations of women's work to men's work. The field covered is not entirely restricted to Germany.

The American Statistical Association celebrated its seventy-fifth anniversary by meetings held in Boston February 13-14. Papers were read as follows: "The development and progress in statistics during seventy-five years," by S. N. D. North; "Coöperation between academic and official statistics," by Walter F. Willcox; "The service of statistics to economics," by David Kinley; "The service of statistics to sociology," by F. H. Giddings; "The service of statistics to history," by C. H. Hull; "The service of statistics to biology," by Raymond Pearl; "Economic and social progress of the United States during seventy-five years," by Frederick L. Hoffman; The present status of statistical work and how it needs to be developed in the service (a) of the federal government, by W. S. Rossiter; (b) of states, Adna F. Weber; (c) of the municipalities, by F. Spencer Baldwin; and (d) of private societies and organizations, by W. S. Gifford.

In addition to the above papers, which will be published in the regular *Quarterly Publications* of the association, a memorial volume will be prepared. This will contain contributions by a large number of prominent statisticians in foreign countries, setting forth the development of the world during the past seventy-five years and pointing out the present condition and probable future plans of development.

Appointments and Resignations

CORRECTION: Professors Gerhard A. Gesell, Charles H. Preston, Clare L. Rotzel, who were erroneously reported in the December number as being connected with the New York School of Commerce, are associated with the general extension division of the University of Minnesota, giving business courses.

Mr. E. D. Baker, of the University of Chicago, has been appointed assistant professor of rural economics in the Kansas State Agricultural College, Manhattan, Kansas.

Mr. C. E. Bonnett, of the University of Chicago, has accepted an appointment in the economics department of the University of New Mexico.

Professor John A. Brindley has been made head of the department of economics and political science at Iowa State College.

Mr. William R. Camp, chief of the marketing division of the North Carolina Agricultural Experiment Station, has been appointed professor of agricultural economics, a new department in the North Carolina College of Agriculture and Mechanical Arts.

Mr. Fred C. Croxton, of the Federal Bureau of Labor, has been

appointed chief statistician of the Industrial Commission of Ohio. This commission is planning to reorganize and expand the statistical work relating to labor and industry.

Dr. E. Dana Durand, of the economics department of the University of Minnesota, has been made expert in charge of the work of the Efficiency Commission appointed by Governor Eberhart to make recommendations for improving and reorganizing the state government.

Professor F. A. Fetter, of Princeton University, will act as leader of the group studying social and labor problems, on the tour of Europe the coming summer, under the business direction of the Institute of Educational Travel, of New York City. The chief topics studied will be social insurance, municipal employment agencies, labor organization, and various forms of charities and social betterment.

Miss Bertha E. Hazard has been appointed associate professor in home economics at Cornell University.

Mr. C. C. Huntington, formerly special examiner in the Bureau of Corporations of the Department of Commerce, Washington, D. C., but now in charge of the work in accountancy at the Ohio State University, has been advanced from assistant professor to professor of economics and sociology.

Professor E. W. Kemmerer, of Princeton University, has leave of absence for the second term, and will be in Germany until September studying the German monetary and banking situation.

Dr. James B. Kennedy has been appointed professor of history and political economy in the Presbyterian College of South Carolina, Clinton, S. C.

Mr. Oswald Knauth, instructor in economics at Princeton, who has been on leave of absence during the first semester, has resumed his duties.

Mr. Lee D. McClean has entered upon his duties as instructor in economics at Bowdoin College.

Mr. Edward R. Pease, for nearly twenty-five years secretary of the Fabian Society, has resigned the office. W. Stephen Sanders has been appointed his successor.

Professor Carl E. Parry has resigned his position at the University of Michigan and accepted an appointment at the Ohio State University.

Mr. D. R. Scott has been appointed instructor in economics at the University of Missouri.

Dr. L. D. H. Weld, of the department of economics, University of Minnesota, has, in connection with his university work, been put in charge of the Bureau of Agricultural Statistics, and has also been given oversight of all coöperative enterprises in the state, the last session of the legislature having made a special appropriation for the study and supervision of coöperative societies.

At the University of Michigan the following promotions have been made: Professor E. D. Jones to professor of business administration, Professor David Friday to professor of political economy, and Mr. W. H. Hamilton to assistant professor of political economy. Appointments have been as follows: Mr. Bradshaw Langmaid, instructor in transportation; Mr. Russell A. Stevenson, professor of accounting; Mr. Warren S. Thompson, instructor in sociology; and Mr. George W. Dowrie, formerly associated with the department of political economy at the University of Illinois, professor of political economy.



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SUPPLEMENT

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of the

Twenty-sixth Annual Meeting

of the

American Economic Association

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PROGRAM OF TWENTY-SIXTH ANNUAL MEETING

SATURDAY, December 27.

At the Hotel Radisson.

- 9 a. m. Meeting of the Executive Committee.
9.45 a. m. Business Meeting of the Association, with reports of committees, etc.

FIRST SESSION

- 10.45 a. m. Presiding, President Kinley.
Paper: THE CONTROL OF PUBLIC SERVICE CORPORATIONS. Professor John H. Gray, University of Minnesota.
Discussion under the ten minute rule:
Dr. E. W. Bemis, Chicago, Ill.
Professor J. E. Brindley, Iowa State College.
Professor James E. Boyle, University of North Dakota.
Mr. J. E. Allison, St. Louis.
Professor W. F. Gephart, Washington University.
General discussion.

SECOND SESSION

- 8 p. m. Joint Session with the American Sociological Society.
PRESIDENTS' ADDRESSES:
Presiding, Justice Oscar Hallam, Supreme Court of Minnesota.
1. A Vision of Social Efficiency. President Albion W. Small, American Sociological Society.
2. The Renewed Extension of Government Control of Economic Life. President David Kinley, American Economic Association.
10 p. m. Smoker, in the rooms of the Commercial Club.
10.30 p. m. Meeting of the Executive Committee.

SUNDAY, December 28.

- Rev. Dr. Freeman invited the members of the visiting Associations to a special vesper service in St. Mark's Church at 4.30 o'clock.
The Commercial Club kept "open house" on Sunday evening, and served a buffet supper to the visiting delegates.
9 p. m. Meeting of the Executive Committee, Hotel Radisson.

MONDAY, December 29.

- At the University, in the Auditorium of the New Main Engineering Building.
9 a. m. Business Meeting.

THIRD SESSION

- 10 a. m. Presiding, Professor W. A. Scott, University of Wisconsin.
Paper: CERTAIN CONSIDERATIONS IN RAILWAY RATE MAKING. Dr. B. H. Meyer, of the Interstate Commerce Commission.
Discussion under the ten minute rule:
Professor Joseph Schumpeter, University of Graz, Austria.
Professor A. A. Young, Cornell University.
Professor E. R. Dewsnup, University of Illinois.

Professor F. H. Dixon, Dartmouth College.

Professor A. J. Boynton, University of Kansas.

Professor L. H. Haney, University of Texas.

12.30 p. m. A complimentary luncheon was served to the visiting delegates at Shevlin Hall, University Campus.

FOURTH SESSION

2-5 p. m. Round Table Discussions.

1. The Rural Organization Service. Professor T. N. Carver, Harvard University, Director of the Rural Organization Service, United States Department of Agriculture, Chairman.

2. The Theory of Rent and American Agriculture. Professor H. C. Taylor, University of Wisconsin, Chairman.

5-6 p. m. President and Mrs. Vincent received the members of the associations at their home, 1005 Fifth Street, S. E., Minneapolis.

7 p. m. Dinner at the Hotel Radisson, tendered the members of the associations by the Civic and Commerce Association of Minneapolis.

TUESDAY, December 30.

At the Hotel Radisson.

9 a. m. Business Meeting. Election of Officers.

FIFTH SESSION

10 a. m. Presiding, President Kinley.

Paper: SYNDICALISM. Mr. John Graham Brooks, Cambridge, Mass.

Discussion under the ten minute rule:

Professor Karl F. Theodor Rathgen, Kolonialinstitut, Hamburg, Germany.

Professor M. B. Hammond, Ohio State University.

Professor R. F. Hoxie, University of Chicago.

Professor E. D. Howard, Northwestern University.

Mr. R. W. Babson, Wellesley Hills, Mass.

Professor F. S. Deibler, Northwestern University.

General discussion.

SIXTH SESSION

2.30 p. m. Presiding, President elect Gray.

Paper: RECENT TRUST DECISIONS AND BUSINESS. Professor Willard E. Hotchkiss, Northwestern University.

Discussion under the ten minute rule:

Professor E. Dana Durand, University of Minnesota.

Professor W. A. Rawles, Indiana University.

Dr. F. L. McVey, President University of North Dakota.

Professor J. E. Le Rossignol, University of Nebraska.

Professor G. E. Putnam, University of Kansas.

General discussion.

5 p. m. Meeting of the Executive Committee.

THE RENEWED EXTENSION OF GOVERNMENT CONTROL OF ECONOMIC LIFE

ANNUAL ADDRESS OF THE PRESIDENT

DAVID KINLEY

The University of Illinois

For some twenty-five years there has been a marked recession among English-speaking peoples from the strong individualism of the early 19th century towards a gradual extension of government authority in economic matters. Laissez-faire has been discredited both as a principle of political philosophy and as a rule of conduct. Whether we should try to restore its prestige or with what other principle we shall replace it, however, are matters concerning which current discussion is somewhat confused. On the one hand are those who declare that competition has broken down, and has produced a monopolistic system which will in time completely supplant it, and which is of such tremendous extent and power that it can be managed only by the government. On the other hand are those who believe that competition is a force which should be preserved as a ruling power in economic life, and would therefore prevent by government action the establishment of monopolies and break them up where they are already established. This, in substance, is the policy that our own federal government has been pursuing since the enactment of the Interstate Commerce Law in 1887. Still others urge that all we need to do is to prevent the evils of excessive competition by setting limits within which competitive forces must work. The first group of thinkers take the socialistic view and call for government ownership or at least for direct government management. The second group are still in effect believers in the laissez-faire principle, and think to restore it by destroying monopoly. The third group also are still faithful to their belief in the efficacy of competition but would restrict its field of operation at the bottom so as to prevent industrial degradation.

A centralizing tendency, that is, a departure from the principle of individual liberty and a return to the principle of authority, is to be seen in many if not all domains of thought at the present time. Therefore, to understand properly what is going on in industrial life we need to look at the change that is going on in other life spheres. The terms laissez-faire and competition are

commonly used to describe the policy more properly called economic liberalism. But economic liberalism is more than a political platform or an economic formula. It is a system of culture that has given character to the life of a great people for more than two centuries. It is a superstructure erected on the principle of personal liberty in religious and political matters. The 17th century was an era of religious contest that resulted in the establishment of ecclesiastical independence, which in turn carried the rule of individualism to constitutional and political emancipation. Once established in religion and politics, the principle of personal independence found its way into economic conduct, and the system was thereby made complete. Just as in its upbuilding it was closely connected with personal liberty in other spheres of life, so the present alleged breakdown of competition—the principle of personal liberty in economic life—and the alleged restoration of the principle of authority finds its counterpart in the movement towards church unity, uniformity of creed, the extension of state as against local authority over education, the extension of the federal principle in politics, and the widening censorship of morals. The application of the authoritarian principle is being made in these lines for reasons quite similar to those that are causing its application in industrial affairs. The excesses of the personal liberty system in morals, religion and literature, have produced results that are shocking the sensibilities and shattering the ideals of multitudes of people. Hence, the demand for control. In politics the extreme application of the principle of local government has rendered equity, justice, and efficiency impossible in a multitude of ways. Hence, the demand for state and federal control.

Under no system of government regulation of conduct, however extensive or intensive, has competition or personal initiative been entirely absent, unless, indeed, under a system of slavery; and at no time, under the most extended system of competitive action, has it been possible to do away entirely with government supervision and regulation. Even among the English-speaking peoples in the past two centuries, when the laissez-faire aspects of economic liberalism have seemed to predominate, it has not been possible to get on without government regulation and supervision. The reason is that the knowledge and resources underlying any political and social system are constantly changing. Whether the principle of personal liberty, expressed through competition, or the principle of authority, expressed through government regu-

lation, shall be the dominating principle of civilization at a particular period, depends on which one of them is likely, under existing conditions of knowledge and resources, most largely to promote welfare. [When evils flow from the too extensive application of the prevailing principle, or, when, in new circumstances, it is less productive of welfare, emphasis is gradually shifted until the other principle occupies the foreground and becomes the dominating force. Such is the situation now. Conditions have changed so that the necessity and value of regulation are emphasized again. The régime of personal freedom of competition under the conditions of rapid scientific discovery and material growth has failed to preserve, or perhaps to produce, the equality necessary for success among competitors. Growing population, the development of vast resources, the great size of units of industry, have made the application of the competitive principle in many ways impracticable. Competition has degenerated at many points from a struggle between equals to an exploitation of the weak by the strong. Industry has been swallowed up by industry until in many lines a practical monopoly exists, so that prices, wages, terms of employment, and the welfare of large numbers of people, are in the control of comparatively few. The benefits of the common heritage of natural resources have passed too largely from the people at large. On all sides we find private monopolies and a natural system of capitalistic industry, involving large control of the opportunity for livelihood for the many.] These evils have been produced, under conditions favorable to the acquisition of great wealth and its massing under the corporate principle, by a system that gave the world a "democratic constitution," "the same law for all," "toleration," "capitalistic competition," "individual initiative," and the other benefits of liberalism. [In more general terms, the causes for the extension of government control are: the ill-doing of some under the competitive system; our desire for rapid national development, which led us to give large powers to those who were to assume the risks of frontier promotion—powers which, then innocuous, have now become dangerous—; a demand for a better standard of living by the great body of the working class, who are asking with some show of reason what the advances in science and industry have done for them.] Moreover, there is a feeling of resentment of control by others of their opportunity to make a living.

The demand for state regulation either for the purpose of

restoring the competitive principle in industry, or frankly supplanting it with the principle of authority, finds some justification, too, in the belief, not altogether ill founded, that the economic evils of great industry have arisen in part from the treatment of the modern form of the corporation by our courts of law. They have given it in a measure the attributes of a natural person, without imposing upon it the consequences of personal responsibility. Hence, it has frequently been impossible to reach the misdeeds of individuals because of their attribution to non-personal agents. Penal remedies and preventive measures alike have been often ineffective to protect the public. Consciousness of this evil is seen in the demand for holding directors of corporations to personal responsibility for the acts of the corporation, and in the movement for the disruption of "corporations of corporations."

From all these causes arises the demand for government protection for the weak in industry; and some people appear to think that unless the right to make a living is in a reasonable measure provided, the next step may be an attack on the institution of private property itself. In consequence, "today a great economic movement is going on which aims at reorganizing the entire industrial system from the social standpoint." The call is for the state to look after the conditions of living and work of workers, the management of prices and output of large enterprises, or to take them over and thereby free the many from a virtual economic control of the few, and reestablish, supposedly for all, a proper standard of welfare.

An explanation of the establishment of economic liberalism as a system, in the extreme form in which it has existed for more than a century, is found in the abnormal condition of the four centuries succeeding the discovery of America. Since that discovery the life of the world has been abnormal in the sense that it has been in a state of unstable equilibrium because of the existence of opportunities for personal initiative, personal gain, and individual expansion under conditions that yielded larger rewards than ever before. Economic pressure in the old world could be relieved by overflow into the new world. The great advantage that came from this situation is now reduced by the substantial occupation of this continent. The fact that our continent is, in the present stage of the arts, substantially occupied, indicates that the world is about to return to a more stable economic

equilibrium. The development of the industrial evils of today and the consequent demand for regulation are simply an unconscious acknowledgment that, all things considered, we have reached in this country a stage of relatively diminishing returns in our economic activity. It is a recognition of the truth of the law of diminishing returns and of the Malthusian doctrine of population, that unless the arts progress more rapidly than population there is bound in time to be a relative pressure of population on subsistence.

Man is so constituted that when he feels the evils of an existing system he is likely to adopt measures of reform which will produce evils as great as those he is seeking to remedy. That danger exists now. We need to look very closely at the tendency towards the extension of the authority of government into the details of our economic life. The principle of competition, the system of economic liberalism, has been too helpful to the progress of mankind to be given up altogether. It has become an enduring part of our civilization and philosophy of life. We cannot deny that the competitive system has promoted liberty and welfare, initiative and perseverance, industry and success, wealth and culture, an abundance that has relieved poverty, has exploited to human benefit the resources of nature more abundantly than ever before, has enlarged knowledge, has provided for the possibility of a greatly increased population, and, generally, has uplifted the life of the people. No system which will deprive mankind of these advantages is likely to promote welfare unless it supplies other motives to the same results. For competition has been a developing force, even if it has failed somewhat as a controlling one. The motive power to action is of more importance in the long run than the regulation of action.

In order to judge clearly the reasonableness of this demand for wider government control of economic life, and possible results of acquiescence in it, we must recall for a moment the ultimate purpose of government. It is, undoubtedly, the promotion of the welfare of the people who organize it. In the words of Justice Gray, "The prosecution of the safety, health, the morals, good order and the general welfare is the chief end of government," and the general welfare includes protection of opportunity to make a living. This is not a new maxim in the jurisprudence of the English-speaking peoples. The system of personal liberty and the system of government control, or any combination of

them, has always had, and must always have, as its ultimate aim, among these peoples, the establishment of welfare. All social institutions, including the system of private property, are encouraged, or permitted, for this end. As Justice Bruce of the Supreme Court of North Dakota has put the matter: "It can now be safely said that the courts and the public generally have come to see and to hold that a right to property and liberty should never be guaranteed in matters and things which are injurious to the public health, the public welfare, or the public morality, or even to the convenience of the public as a whole."

[As we have seen, the call for the application of the power of government assumes several forms. Some call upon it to restore the competitive principle by breaking up large industries, and so to regulate business that competition will operate within certain assigned limits. This is the neomercantilism that is sweeping over the world. Some call upon it to assume that competition as a regulative force is dead, and therefore to permit monopoly under supervision. Others insist that since competition is dead and monopoly established the government itself shall take over and manage the greatest of these monopolies. This is the demand of the socialists.

It is not worth our while to consider the last proposal. There is no evidence worth considering that the American people have yet reached the point where they desire the establishment of the socialistic state. The principles of individual liberty and the rights that have been established upon them through the long struggle of four centuries will not be abandoned. Economic liberalism in the large sense is and will remain a living faith among the English-speaking peoples, even though they may see fit to establish what is called the new "social state."

It is impossible, of course, to discuss now all the projects put up, either for the complete restoration of competition, or for its partial restoration under government regulation. I invite your attention, therefore, to a few of the proposed lines of action. It is urged, first, that the government promote welfare by general social legislation; second, that the government regulate wages, particularly by establishing a general minimum wage; third, that the government regulate prices, particularly in those articles that may be regarded as the products of monopolistic, or partly monopolistic, industries; fourth, that the government determine in some way the form and size of business organizations; fifth,

that the action of government be confined to supervision of business as it is carried on in order to prevent infractions of the law and give full publicity to the methods of so-called "big business"; and finally, that the right of society in great accumulations of property shall be more clearly defined and enforced either by taxation or other means.

The proposal for what is called welfare legislation, for such purposes as the prevention of accidents, sanitary conditions of work, due limitation of hours of work, the protection of women and children in industry, and all similar legislation, has long passed out of the stage of debate. Formerly governments busied themselves in enacting labor laws against labor. Now they busy themselves in the enactment of laws interfering with labor in the interest of labor. The principle of this legislation is accepted, however men may differ about details.

When we come to the proposition to fix a minimum wage, we are confronted with more debatable questions. In so far as the wages actually paid in so-called sweated and parasitic industries are below what the employer could afford to pay while still making a proper profit—in so far, in other words, as they are due to exploitation—; in so far as wages paid are insufficient to afford a decent living in any industry in which profits are large from some monopolistic advantage;—in short, in all cases in which wages are below what is necessary for a decent living in any employment because of "exploitation"—there can be but one opinion of the desirability of insisting upon a minimum. It would be a mistake, however, either to insist upon a minimum wage in all industries, or to compel the payment of a minimum wage which, as a matter of fact, is more than the value produced by the person receiving it if the returns to entrepreneur and capitalist are but fair, or to insist upon a minimum wage in any case without providing for its constant readjustment. To justify these statements we must consider some of the effects of such an action. In the discussion I repeat that I am leaving out all cases of mere exploitation, assuming that in these a compulsory standard is economically justifiable.

If a minimum wage is established larger in amount than the product of the marginal workers, they are bound to be thrown out of work. It is easy to say that if an industry is not able to pay a "living wage" it had better not exist. But a "living wage" is a very variable thing, and the fact that some people are

living on the wage they get may be regarded as evidence that to them it is a living wage, although not a desirable living wage. The question to be considered is not whether such an industry is worth while, but whether, if we by election abolish it, those who are thrown out of work can find other employment at as good or better wages. It is difficult to see where they would find it if, in economic terminology, they are "the marginal workers," and are already getting what they produce.

The imposition of a minimum wage under such circumstances would make it necessary for employers in many cases to raise the margin of industry and discharge their present marginal workers. Otherwise the business would not be profitable. This is only another way of saying what has already been said, that insistence upon the minimum wage would doubtless reduce to idleness all below the new margin, unless, indeed, as might happen in some cases, the improvement in the standard of living of the lowest workers increased their efficiency, or unless the imposition of the additional burden on industry stimulated the discovery of new methods or resources. In the one case we should have an increase of productivity of labor; in the other, of capital. In either case the industry could pay the wage imposed. But we could not hope that such a result would be general.

Looking at the matter from another angle, a minimum wage which was not earned at the margin would reduce profit or interest, or both, and react on the accumulation and investment of capital. In time there would be inevitably a slackening of industry and a reduction of employment. I see no logical escape from the conclusion that a general minimum wage, or a minimum wage imposed widely, if it were higher than the product of the marginal worker, would act to curtail industry, check accumulation and investment and induce unemployment.

Moreover, we must remember that if the state insists upon a minimum wage and guarantees it, it also should guarantee efficiency. There is no more justice in compelling the employer or investor to abandon his profit or interest, if it is only legitimate in amount, in order to raise wages than there is in permitting unduly low wages to be paid in order to increase profit.

Any effort of the government to regulate prices, except to see that they are not monopolistic or are not fixed by agreement among other agents, is open to criticism for reasons somewhat similar to those given against the minimum wage proposition.

There is no more economic reason for fixing prices to enable labor to get a fair wage or the consumer to get a "fair price" than there is to fix prices in order to enable the investor to get a "fair interest." There may be reasons for doing both, if it were practicable. But the practicability is doubtful because of the complexity and changeableness of the factors involved. The government and its agents have no means of determining beforehand the effects of any particular line of action on prices. They could not fix prices fair to investors, workers, and consumers without knowing costs and conditions of markets and a multitude of other things which are changing from day to day, and which, if they could be discovered and set down in figures, would be beyond the understanding of anybody but the expert in business. Nor could they allow for foreign competition. The attempt would very likely check accumulation and investment. We have a good illustration of the possible effects of such an attempt in the railroad situation in the United States at present.

If the application of the minimum wage doctrine and price regulation in any large way should curtail industry and increase unemployment, the government would be called on to provide for an increasing number of people out of work. The number thus to be taken care of would doubtless grow in time, not only from industrial causes, but from the stimulation to population which would come from a lowering of the moral fiber of the people. For the easier it is made for one part of society to get a living at the expense of another part of society, the larger will be the demand for it and the lower the moral tone of those who demand it. A recent illustration of this fact is found in the effects of Germany's thirty years' experience with insurance against sickness and accidents. Cheating, malingering, and even a certain physical degeneration, have become widespread, so that many thoughtful people are alarmed at the weakening of the moral fiber of the nation, and the sapping of its physical vigor.

From the point of view of economic theory, the proposals, especially with reference to the minimum wage, involve a new ethics and a new economic law of distribution. Broadly speaking, every theory of wages is, first, an explanation of existing conditions, and, second, an attempted justification of them. Each theory has been accepted so long as its practical result was consonant with the prevailing ideal of the general welfare, which means acceptable to the multitude or group or class in power.

The productivity theories have led us to say that each participant in production is entitled to and gets what he produces, for the reason that this has seemed to us good ethics. Now society, in establishing a standard of wages, would assume the theory that each must get what is necessary to enable him to attain a living conformable to the dignities and requirements of citizenship. The proposal is not, "to each one what he produces," but, "to each one what he needs," on a minimum basis. The British Minimum Wage Law for miners frankly recognizes this fact. The ideal of the federation of miners was defined by its representative in these words: "What their demands stipulated was that when a man went into the pit to work . . . he should be assured of a day's wage, fixed and agreed to, and if this was not granted it should be recoverable through a court of law. No matter what the collier's failure or difficulty might be in earning his money, whether it be through faults, breakages in machinery, inundations of water, shortage of tubs, overcrowding, or a walk of long distances to the face; if he was not addicted to idleness, then he should be allowed a fixed minimum wage." "The descending of the pit and the remaining at the coal face to do a day's work shall establish the right of the workman to receive the average wage of the district."

If this policy should become general, the ultimate result would be the elimination of those who cannot earn the minimum and the rising of the margin of production for labor to a point where the product of labor will be equal to the minimum wage fixed by law. In other words, we will have a return to the theory of specific productivity. No other result is possible.

In passing from my criticism of these proposals, however, I would remind you that it does not involve the regulation of wages and prices where these are themselves subject to control by any class to the detriment of another. Aside from this limitation the wisdom of government interference in these directions is more than doubtful.

There is ground for more favorable comment on proposals that the government shall, within limits, determine the form of organization and the size of business enterprises. Industries which are monopolistic in their character are now by general consent regarded as properly subject to government supervision. It is not necessary here to discuss the methods or extent of this supervision further than to say that if it is to be perma-

nently successful it must aim to protect the interests of wage earners, the investing public, and the general public, alike. It must not permit undue profit from excessive rates, or from exploitation of labor. In this field, however, the limits and methods of government intervention are being slowly worked out, although, of course, with considerable friction and many jars. The regulation of public utilities and industries of similar economic character is an illustration in point.

Supervision may take the form either of inspection and publicity of procedure, or of direct attempts to influence the form of organization. The former method has been recommended by President Taft's Railroad Securities Commission, and wherever it has been applied its results have been good, even if they have not cured all the evils. But we may reasonably ask for more than this, at any rate in many cases. The prohibition of what we may call interlocking directories, of stock watering, rebates, price discrimination, and the holding of the stock of one corporation by another, and the elimination or limitation of holding companies, are some of the things that may well be accomplished.

Aside from industries that are clearly monopolistic by nature the whole aim of government interference should be to establish conditions which will induce healthy competition. The government should attempt to determine what constitutes, under existing conditions, an efficient unit, or an efficient size, of a business. It has been claimed for the trusts that they were more efficient as producers and distributors than similar enterprises in the same line. I do not feel that this claim has been established, and think that there are signs that it is largely untrue. The economies of big business have been secured at an economic and social cost that has not been fully evident or fully understood. There is reason for thinking that the dissolution of the tobacco trust has already recovered to society some valuable entrepreneur's talent which was being suppressed by the discharge of clerical duties under the trust, and has induced competition among those of this order of business talent with some resulting shaving of prices to the consuming public. Even if it were true that the biggest business is the most efficient in the sense that the cost of its unit output is lowest, it does not follow that we should permit that system of industry to exist. For we can tolerate only that system which, whatever its mere economic merits, is not likely to

destroy political liberty or economic opportunity. "The best size of unit for general welfare is the thing for us to establish, not necessarily the one which has the largest output or the lowest unit cost."

Moreover, there is justification for fixing a maximum financial unit of business, aside from the question of greatest operating efficiency. For even if competition, working as it does with considerable friction, fixes a price that is a fair return of capital invested, this is not enough for the protection of the public if the capital invested becomes larger than is adequate to perform the total service needed. If it goes beyond this, a "fair" return necessitates a price larger than the value of the product to the community, and economic friction, to say nothing of monopolistic control, sometimes makes it possible to secure such a price.

The fifth proposal in the program of government extension policy is the imposition of greater burdens upon accumulated wealth. This means a renewed emphasis on the social origin and character of property and therefore on the right of limiting it, not only to prevent unjust accumulation, but any accumulation which in character or amount threatens the welfare of society. This question is before the country now in the suit against the Harvester Trust. According to the prosecution in this case, the organization and power of the trust are such that "if the International Harvester Company were disposed to exercise the power its enormous wealth gives, and if it were left unrestrained to do so, it could drive every competitor it has from the field." It is necessary to notice that there is no new legal, ethical, or social principle involved in this doctrine, although the wisdom of extending the principle at present may be an open question.

Some general consequences of these proposals must not pass unnoticed. Undoubtedly, a certain amount of good can be done by proper supervision to prevent the oppression of the weak by the strong and the impairment of the public welfare. It may be true that, as one writer puts the matter, the present movement is an attempt by the community to resume sovereign power in order to conserve the right of the individual to make his living. But bureaucratic supervision can never be a permanent substitute for proper standards of righteousness among men in their dealings with one another. We may have an honest and efficient officialdom that puts the common weal above corporate and personal interest, but we cannot have it for very long. The inherent

weakness of wide and intense government regulation is its lack of motive to take advantage of new conditions to further progress; whereas the inherent strength of a system of individual initiative is the presence of that motive.

If any of the proposed policies is to win final success in improving the condition of any class of society, or of all classes, it can do so only by increasing the sense of responsibility of those directly affected. For those who have made any study of attempts to improve human society through long periods must feel very deeply "how great is the ignorance of the wise, the weakness of the strong, the folly of the prudent and the helplessness of the well-meaning." They will realize that we "cannot sweep away any one thing without upsetting innumerable other things, good, bad, and indifferent."

The adoption of the policies that we have been discussing may mean a period of comparatively stationary economic life. In so far as we clip the wings of motive we impede rapidity of motion. Yet it may be well sometimes to do this. For abundance, irrespective of distribution, will not necessarily produce welfare. What a nation may need may be an abundance sufficient for social welfare according to definite ideals, even though it may not be so great an abundance as with different ideals might be obtained.

It is true that progress in invention and discovery may still go on if bureaucratic oversight should check industry. It will do so, however, only if a sufficient margin of advantage is left with the enterprising pioneer in the future as in the past. A return to the intensive, minute, supervision over industry which prevailed under the old mercantile system would defeat its own purpose. Yet it is hard to tell where to stop when once we use the arm of government for economic purposes. It is doubtful whether in this country the public will endure the menace to liberty involved in very intensive supervision. It is doubtful whether, if the supervision were successful, we should be better off in the long run, and we should have lost all the advantages that have accrued to us under the great system of economic liberalism.

Although, then, there is good in the proposition for the extension of government activity into business, the field of its operation must be carefully limited. Can we, in conclusion, lay down briefly some of the limits within which it should be confined?

I venture to suggest, first, that reasonable welfare legislation, as has already been remarked, is accepted by the American public

as proper, and that our various governments may concern themselves with extending this without objection.

[In the second place, government may properly attempt a delimitation and regulation of industries which are monopolies by nature. It may also segregate those, if any, which are likely to be most serviceable to the public and to their owners when treated as monopolies. Although there is room for difference of opinion on details, the principle is generally accepted now that the private enterprises which commonly go under the name of public utilities are best treated as monopolies to be carried on under proper reasonable supervision.

[In the next place, the government may properly continue its policy of compelling the trusts to dissolve into their component industries and of requiring big business enterprises to resolve themselves into units of the most efficient size. To accomplish this purpose properly, the government should undertake an investigation of what constitutes a unit of greatest efficiency in the more common big businesses. Having determined this, the law should prevent the organization of businesses which will exceed this most efficient unit in size unless the advance in the arts makes it possible to prove that some larger or different organization is better, in which case the law should be adapted to the new conditions.

Again, the utmost publicity compatible with the rights of business should be given to the transactions of corporations, whether monopolistic or other. But it is hard to justify the minuteness of the inquiries which some of our commissions now propose into various lines of business.

In the next place, the law may very properly forbid agreements fixing prices by producers or distributors of goods. The law may further properly provide a minimum standard of wages for industries in which labor is obviously exploited. Still further, few will object to reasonable increase in the burdens imposed upon great aggregations of wealth for the general welfare, especially when these aggregations of wealth have come from sources that give them a large social element.

Finally, the attitude of our courts towards the character and acts of corporations needs readjustment. There is some ground for believing that from the point of view of the interests of society, it was a mistake to give corporations the attributes of personality. In any event, there is a demand that personal responsibility for corporate acts shall be fixed upon the officers in

such ways as to prevent the recurrence of some of the evils that have given rise to the hostility towards corporations.

One inevitable consequence of the establishment of the principle of government control of economic life must not be lost sight of even if its early appearance is unlikely. [Regulation by a government which is the people, for the people, tends to be regulation of the people by a government in spite of the people.] Regulation of industrial life in behalf of some means repression of the activities of some others. The government, as such, once recognized as having a right to regulate economic conditions, will be pushed by the ruling class or classes towards regulation or control of the rights of others in politics, religion, and other ways; for economic privileges or rights cannot crystallize into custom and be cast into law in behalf of some as against others without imposing upon the "some" corresponding duties which become privileges or rights of the "others." This process means a slow crystallization of economic status and the production of classes in society.

These, then, are the principal lines of proposed wider government activity at present before the public, in this country and in England. Their significance is far reaching. While declaring no new legal principle, they give a different color to accepted doctrine. The emphasis is now to be put upon the rights of the community in private property and to private property, rather than on those of the individual owner. The movement means that the acquirement of property to an extent that may endanger the public welfare is to be restricted. Laws should be framed, we are told, to care for the worker rather than for industry. In other words, the new movement is an attempt to establish by authority the individualism—conditions of welfare—which individual action itself has failed to achieve. The whole movement imports a lessening of the importance of private property, and a strengthening of the importance of men; an emphasis of public weal as against private gain; a demand for more equality in economic conditions, and greater social responsibility for wealth.

THE REGULATION OF PUBLIC SERVICE CORPORATIONS

THE VAGARIES OF VALUATION

BY JOHN H. GRAY

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It is becoming increasingly plain that the industries under consideration ought to be monopolies, and that privately owned unregulated monopoly in industries so vitally necessary to our social welfare is unthinkable. The practical danger from monopoly is greatly increased by the constantly growing tendency towards consolidation of ownership and private control.

The degree to which actual combination is threatened is illustrated by the recent attempt to combine all English employers' associations into a single federation to fight the labor unions, and to start this organization on its militant course with a war fund of about \$250,000,000 in cash.¹ If such an organization can be formed to fight the unions, it may be used against the public to maintain rates, prevent regulation, or in such manner as its managers think best, and may easily become more powerful than the state.

The Pioneer Spirit.

No human institution can be judged solely by its bare form, but must be considered in connection with the spirit of the people concerned. Let us see how the spirit of the pioneer is related to the life and status of public service industries. The virtue of a true pioneer consists in developing and exploiting natural resources and in hastening the time when any particular state, or locality, shall have sufficient population and wealth to enable it to provide what are considered the fundamental essentials of modern civilization, such as roads, schools, churches, bridges, and the like. So long as natural resources seem unlimited, as was the case in this country until very recently, the most admirable citizen is he who exploits most energetically and rapidly, and as a consequence probably acquires the largest personal fortune; for the good he does, in a new community, in making possible the conveniences of civilization,

¹ *U. S. Daily Consular Reports*, October 21, 1913.

is palpable and unmistakable, and, by mere supposition, the harm that he can do is relatively slight, because of the unlimited resources. For, so long as resources are unlimited, the objectionable exploitation of persons is impossible, because the circumstances give every one a chance to escape from real exploitation and to do as the successful exploiter does. In other words, the unlimited natural resources give substantial equality of opportunity.

Speculation, the Essence of Pioneer Life.

The pioneer risks his life and his fortune every day with the recklessness of a true soldier in battle. Not his own safety, but the excitement of the game and the final outcome are his consciously controlling motives.

In such an atmosphere the good man and the good fighter is never easily amenable to discipline or very conscious of the fact or necessity of coöperative work. He expects to take care of himself, to ask and to give no quarter. He gains fame and fortune, when he is successful, and goes down without sympathy from others, or conscious regret on his own part, when he fails of his immediate object. Like St. Paul, he has fought a good fight, and that is sufficient for him.

Conditions, but not the Sentiments of the Owners of Public Utilities, have Changed.

Our life in this country is no longer cast under pioneer conditions as regards our public utilities. Our natural resources are virtually all appropriated if not exhausted; our population, mixed and congested in great cities, and divided into economic and social classes. We have the greatest inequality in the distribution of wealth the world has ever seen, and the greatest degree of concentration and control of that wealth. Today, when one successfully exploits natural resources in the pioneer way, he deprives others, not only of exploiting in the same manner, but even of the right of attaining a decent living. In short, the needs of today point in one direction; the honest beliefs and actions of those in control of our public utilities go in the opposite direction. As Taussig¹² said twenty years ago, "What the American community now needs more than anything else is a bracing and improvement of its political

¹² *Political Science Quarterly*, vol. IX, p. 587 (1894).

machinery. Good government, as an end in itself and as an essential preliminary to social ends even more difficult to achieve, is now our most vital concern."

The Character of Those in Control of our Wealth.

The day for hostility towards and attack upon individuals is happily past. Those in charge of our public utilities are human, and are probably as honest and somewhat more courageous than the rest of us are. They are merely, in action and belief, pioneers and the sons of pioneers.

The Pioneer Believes in Competition.

It is not a question of personal honesty or dishonesty, but merely of a difference of philosophy as to what constitutes human progress and how that progress is to be achieved. The pioneer believes in unrestrained individualism and reckless competition. The condition and the history of our utilities in America today illustrate most clearly the conflict between the savage and destructive doctrine of competition as taught by the so-called orthodox economists, and the modern democratic doctrine of an equal opportunity for all, with the state (using that term in its generic sense) as an impartial arbiter between the parties. For, however legally and personally free we may be, we are economically so unequal in strength as to make the very term "competition" in this connection a misnomer.

Historical Survey of Utilities.

From time immemorial, common carriers and other industries classed legally as utilities have nominally been subject to regulation by the sovereignty. But the law has not yet recognized the economic basis of control or classed as utilities the major portion of industries that economically belong in that category. All competent students know that the legal classification is misleading, and that when any important industry ceases to be subject to competition, the economic grounds for public regulation exist, and for classifying the industry as a public utility. In fact, the whole idea of public regulation rests on the recognition of the monopolistic character of the undertakings. More significant still than the incomplete basis of classifying industries is the fact that until after the case of *Munn vs. Illinois*,² in 1876, there was no thought of set-

²94 U. S. 105.

ting up any governmental agency to enforce the law. Competition was, in fact, the sole reliance for protecting the consumer, and the investor was left practically unprotected. It is unnecessary to remark that the supposed remedy was utterly futile, for it involved the danger, expense, and delay of a private suit in a court of law. This was in fact no remedy at all, and the industry remained unregulated.

The Era of Commission Control.

It is clear to all that with our modern machinery, minute divisions of labor, world markets, and large cities, it is more important that what are economically public utilities should be conducted on a scheme adequate to the growing needs, continuously and progressively, at fair and just prices, and with equal justice to all, than that the system of taxation, federal, state, or local, should be just and equal, or that almost any other recognized governmental functions should be efficiently and honestly administered. In fact, it is not too much to say that whoever really controls the public utilities, and determines the extent and apportionment of their burdens, controls the destiny of the nation.

Newness of the Idea of Commission Control.

We have very recently entered upon the experiment of administrative control through central commissions. But we have failed entirely to grasp the significance of the problem, or the steps necessary to solve it, if we fail for a moment to remember that until the establishment of the Board of Gas Commissioners in Massachusetts in 1885, no industries, save that of transportation, were classed as utilities, and that the other states have been very slow to follow the lead of Massachusetts in this matter. In fact, it is only within the last decade that the problem may be said to have been taken up seriously by the country as a whole. That is altogether too short a time to adjust the law, the theories, or the practices to the economic needs and conditions of the situation. Much more is it too brief a period in which to have modified to any considerable degree the pioneer philosophy that still dominates the private owners of these industries.

The Resulting Chaos.

The scientific theory is that the utilities should render adequate, safe, and universal service, at just, reasonable, and fair prices to

all, and that the sovereignty shall be the final judge in every case of these matters. This statement implies, of course, that the total gains or rewards of the owners shall be reasonable under all the circumstances, including that of virtually guaranteed monopoly, and that they shall have just compensation in case of expropriation. If the state is not able to enforce this policy to the satisfaction of the people, then, for good or ill, the state will take over and operate all public utilities. This not only will be the outcome, but it ought to be. Any other policy paves the way for economic slavery and consequent revolution. Furthermore, the people ought to be, and will be, the judges in the long run of whether or not the public regulation is adequate and satisfactory.

So far, it may be truly said that regulation has not been effective, and that the only important effects of the attempt at regulation have been to arouse a wide-spread, but unorganized, public interest in the question, to diffuse some considerable information as to the nature of utilities, and to put the people on their guard. The pioneer sentiment of those in control of the industries has as yet undergone no significant change. They have, indeed, by methods to be explained later, taken marked advantage of the underlying theory of regulated monopoly to get rid of some of the practical risks of raids and so-called competition, while believing in, claiming, and successfully maintaining the chance of speculative gains that belong to the pioneer stage of competition. In short, they are enjoying most of the advantages of actual monopoly without giving up any of the chances of speculative gains in exchange for it.

We have here a close parallel to the theory proclaimed by the Republican party almost a generation ago, that the protective tariff ought to be reformed, but that it must be reformed by its friends, not its enemies. The result of this doctrine was that its friends never reformed the tariff. The owners of the utilities have likewise insisted that they must determine the kind and degree of regulation to be exercised over them. This is well brought out in the veto by Governor Foss of Massachusetts of the Public Utilities Bill, June, 1913. He says he vetoed the bill because the companies threatened to kill, and would have killed it, if they had not obtained authority by it for double the amount of debt heretofore allowed, and that regulation which requires the consent of the persons to be regulated is leaving the industries to regulate themselves. But the fact that they have failed to regulate themselves in a manner satis-

factory to the public furnishes the sole occasion for public regulation.

About the only real and practical gains to the public so far, from the attempts at regulation, have been the abolition of some of the grosser forms of discrimination and the introduction of a greater degree of stability in the rates. These are indeed gains, both for the public and the companies, not to be ignored.

The Regulation of Rates.

So far as the control of rates is concerned, there are three main elements involved in the problem of regulation: first, the amount on which the owners are entitled to a fair return; second, the fair rate of return under the circumstances of each case; third, the rate of charge that will make such return. It will readily be observed that the fair return is the product of the rate of charge and the base amount over which the rate of return must be spread.

But five central commissions³ deserve attention in the attempt to determine what progress has been made in this field. They are; first, the Massachusetts Board of Gas and Electric Light Commissioners—the oldest—(1885); second and third, the two Public Service Commissions of New York (1907); fourth, the Wisconsin Railroad Commission (1905-1907); fifth, the Interstate Commerce Commission (1887-1906). With the exception of the Massachusetts commission, none of these go back a decade, so far as the points now under consideration are concerned.

The Present Situation.

Under the interpretation of the division of powers, and especially the mistaken interpretation given by the final authority to the fourteenth amendment to the Federal Constitution, the commissions have proved but fifth wheels to the carts. The courts in the last instance have been the controlling bodies. This will continue to be the case until the constitution is changed by formal action or by interpretation. But there is no reason for despair in this fact. For in the long run the people will compel the courts to follow public opinion even if constitutional amendments are required.

³I omit all discussion of the attempt to regulate by means of a municipal commission. The St. Louis Commission alone among local commissions has done notable work. That commission has now been abolished and its powers transferred to a state commission.

Theory of Rates.

There can be but two really sound theories of rates: (1) the competitive theory; (2) the agency theory. While it is true that, in practice, we are trying a mongrel combination of these two theories, it is equally true that in doing so we are going further and further astray. If the first theory, that of competition, is to prevail, there is no need of any regulation. In fact, however, the idea of competition has not only been given up in theory, but is wholly inconsistent with the idea of public regulation. The public did abandon, or, at least, ought to have abandoned, this theory entirely when it entered upon the experiment of commission regulation.

The second theory, that of principal and agent, is the only one upon which we shall ever be able to arrive at a satisfactory relation between the public and the utilities. The utility, legally speaking, in the fullest sense of the term, is a public enterprise: one which the public has not only the right but equally the duty to own and operate, unless it finds it more to the public advantage to employ an agent, the public utility company, to build and operate the utility for it. This principle is thoroughly established both in law and in economics. Justice Harlan in *Smyth vs. Ames* (1898) said:

A railroad is a public highway, and none the less so because constructed and maintained through the agency of a corporation, deriving its existence and powers from the state. Such a corporation was created for public purposes. It performs a function of the state. Its authority to exercise the right of eminent domain and to charge tolls was given primarily for the benefit of the public.

And this has been the law of the land from that day to this. In a railroad case the principle was well stated in a minor court in the following language:⁴

The road once constructed is, instantane, and by mere force of the grant and law, embodied in the governmental agencies of the state and dedicated to public use. All and singular, its cars, engines, rights of way and property of every description, real, personal and mixed, are but a trust fund for the political power, like the functions of a public office.

The theory is well stated by Mr. Walter Fisher,⁵ who says:

Indeed the most important features of our railroad law are squarely

⁴ *Talcott vs. Pine Grove*, U. S. Circuit Court, Western Division of Michigan, 23 Fed. 652.

⁵ Pamphlet, *Alaskan Coal Problems*, Washington, 1911, p. 21.

based, and depend, upon this theory of the relation of the railroads to the functions of government. What has happened, then, with respect to railroads, is, simply, that the government has delegated one of its own functions to private agencies for what at the time are believed to be considerations of wise expediency. If, for reasons of equal expediency, the government decides at any time or place to resume its true function it cannot be said in any sense to be invading the rights of private enterprise.

Here we have the fundamental and basic doctrine of principal and agent. I shall attempt to show that the moment we depart an iota from this doctrine we are lost, for in such departure we pass at once from the realm of fact into the region of fiction.

We have been forced by judicial error at this crucial point into making valuations the corner stone of regulation. As a consequence we have been forced into a mass of absurdities in the decisions of commissions as well as of courts. The briefest statement of the theory of principal and agent will suffice. An agent is entitled to a just compensation for his services, including his outlay of money for the principal, but in no case to any gains or profits on any transaction undertaken or carried on for his principal. *Nor is it material in his relation whether title^o to property connected with his agency is in him or in his principal.* An agent who buys ordinary horses for his principal and discovers that one of them turns out to be a valuable race horse is not entitled to the profits made by selling this horse, but must turn the same over to his principal.

It should be carefully noted, however, that where the agent acts within the scope of his agency, in good faith and honestly, any losses fall upon the principal, not the agent. These losses, real and fictitious, in the public utility play a large role in the whole question. Within the limits named, the agent has no chance for speculative gains, such as are still permitted in private business, and all losses fall upon the principal. More of the losses later, when we come to deal with the problems of "going cost," "going concern," "cost of developing business," and the losses of the early lean years in the infancy of an undertaking. The gist of regulation is a regulation of rates. In practice, we have made appraisals and valuations the basis of rate regulation. This is fallacious from the start and has always led to undesirable results and to the absence of

*The interurban road that owns outright its right of way is as much subject to control as a street railway or a steam railway that has an easement only in the streets and public places.

real regulation, for in the business world value depends entirely on estimated returns or earnings, but returns depend on rates, and the circle thus becomes complete.

On any sound principle there should be no valuation for rate regulation but history, that is, a statement of outlay, of money spent and services rendered, nothing more. Messrs. H. P. Gillette and Max Thelan have made this very plain.⁷ As an agent the utility exercises the right of eminent domain, must give an account of its stewardship, is subject to continuous control, is liable for compulsory service, and must coöperate with all other public agents of its principal, the state.

If the competitive theory is to prevail, a utility is worth all it will earn; that is, it is worth its capitalized earnings, and the state commits a crime when it arbitrarily interferes with rates. But as already indicated, the public has abandoned this theory. In fact, since serious attempts at regulation began, we have been trying in vain to combine the competitive theory with the agency theory with disastrous results to the public and with great annoyance to the utilities. The result is a monstrous hybrid of no use to anybody in the world, and with much futile annoyance to both the public and the companies. The utilities remain essentially unregulated, and still operate on the theory of speculative private enterprises, while the true theory of what ought to be the relation of the utility to the public is obscured.

Not for a moment forgetting that our attempts at regulation have in fact been based on valuation, let us survey briefly this attempt and see how far it has led us from sound doctrine and practice.

First, when we started in to regulate, the utilities (with a few exceptions, notably the gas companies of Massachusetts) were generally vastly overcapitalized as a result of unrestrained competition and an orgy of speculation and stock-watering. Much of this capitalization had been put out illegally and vast quantities of it had been issued merely in the hope of possible future earnings, all of it on the theory of competition.

Historical Sketch of Rate Regulation.

The early attempts at valuing utilities were made for the purpose of taxation, capitalization, and for public purchases. Omitting

⁷ H. P. Gillette, *Railroad Gazette*, Jan. 10, 1913; Max Thelan, Paper read at meeting of Association of Railroad Commissioners, Oct. 1913.

for the moment the action of the Massachusetts Gas and Electric Light Commission, whose theories of rate regulation have but very recently been reviewed by the courts, let us turn our attention to the theory of rate regulation established by the courts. It was but fifteen years⁸ ago that the Supreme Court of the United States in any serious way assumed the right of final word in rate cases, although the right of the state to regulate goes back twenty-two years further, to *Munn vs. Illinois*,⁹ 1876.

Time does not permit me to review the cases¹⁰ by which the Supreme Court assumed final authority over rates and established the uncertain doctrine that "A fair return on the fair value of the property used for the convenience of the public"¹¹ is the chief basis for the determination of the reasonableness and constitutionality of rates. The Supreme Court being the final authority in this matter, until popular opinion compels that court to reverse itself, or until its power in this regard has been changed by constitutional amendment, we are in law committed to valuation as a basis of rate regulation. Hence the present uncertain and unsatisfactory condition.

It should be added, however, that the Supreme Court, while enumerating a large list of things that must be taken into consideration, has wisely refrained from indicating the particular weight to be given to any one of these things, and has been very careful not to lay down any rule whatever for arriving at that fair value. In practice the court has never lived up to its own theory, which is entirely inconsistent with rulings of that court as to the nature and character of the utilities, and equally contradictory of any effective doctrine of public regulation.

But the particular thing in this long list of things to be considered that has caused the trouble is the so-called "cost of reproduction new" of the tangible property *and the business*, under present conditions. That is, not the reproduction of an equally efficient plant, but of an identical plant and that under present conditions. While sound theory denies that any valuation is called for, and holds that any attempt at valuation is subversive of real

⁸ *Spring Valley Waterworks case*, 1884, Waite, J.

⁹ 104 U. S. 105.

¹⁰ *Railroad Commission cases*, Waite, J. 1886; *Dow vs. Beidelman*, 105 U. S. 68. Gray, J. said (1884), "The Court has not means, if it would, under any circumstances, have the power of determining that the rate of three cents a mile fixed by the Legislature is unreasonable.

¹¹ *Smyth vs. Ames*, 1898.

regulation because it rests on the competitive theory, nevertheless this unhappy phrase has had, and continues to have, so large an influence on courts, and therefore necessarily on commissions, that we must give it some consideration.

In the first place, much of the property of any large utility is of a type, and in a location, that nobody would want to reproduce it or to have it reproduced. Why talk about, or consider, or guess at, the cost of reproducing an ox-cart where the work to be done requires a modern locomotive? This theory opens the way for valuing all sorts of abandoned plants, obsolescent equipment, and general junk which ought to be scrapped, such as the horse-car lines of New York City, or such a water system as Syracuse bought, when she entered upon public operation.

In the next place, in the case of the large utilities, there would be no need of having such utilities as we have if the public had not previously recognized, perhaps generations ago, the need of the service rendered by the utilities in question, and had not by inconvenience, expense, franchises, donations, and dedications of land to public use, already established the utilities. For without the utilities the population, wealth, and need for the services in question would not exist to-day.

In the third place, all value in the last analysis rests on human judgment, and human judgment, without any guide from human experience, is of but little value. No one has ever undertaken to reproduce such a utility as the Pennsylvania railroad of today. It ought not be reproduced, and nobody wants to reproduce it. Furthermore, nobody has any sound basis for estimating or even guessing what it would actually cost to reproduce it. In attempting, therefore, to arrive at the cost of reproduction *new as of the present time*, we are reduced entirely to conjecture, and are dependent on a series of mere assumption.

But worse than this, the moment courts and commissions lend an ear to testimony on the cost of reproduction, they are not only trying to decide an important question on opinion testimony, and have not only deserted the realm of fact for the regions of fancy, but they are confronted by one of the most appalling dangers of the unequal distribution of wealth that can be imagined. For, with our weak governments and commercialized society, the combined wealth does in fact hire, and will continue to hire, until the balance of our civilization is shifted, all the men of largest intellect and experience as expert witnesses.

The result is that these men whose professional and financial future depends on the favorable opinion of the companies, and with no possibility of indictment for perjury on mere opinion testimony, and, further, with no practical danger of suffering in public esteem when their testimony is in fact false, place no limit on their fancies or estimates of value. But such men whose veracity has not been formally impeached must either be ignored entirely as incompetent witnesses (a thing virtually impossible under our system of jurisprudence), or they must be given more credence than the less able and less well known witnesses on the other side.

This undue influence is all the more significant from the fact that, with our large business units and concentration of wealth, the experts for the companies are hired in droves. It is currently reported that in the recent Des Moines Gas case the company, which engaged an army of the highest priced experts, spent \$150,000 on this little case in the trial court alone,—a case so doubtful that the company did not care to appeal it. No wonder that the presiding justice, McPherson, who has never been accounted hostile to corporations, virtually said that if opinion testimony were not entirely ignored, the decision would have to go to the longest purse, namely, the company. Among other things he said, "Too often we have selfish, partisan, prejudiced, and unreliable experts engaged for weeks at a time, at \$100 or more and expenses per day, exaggerating their importance, and making the successful party, in fact, a loser."

Without going into them at length, let me enumerate a few of the absurd claims that arise in connection with the theory of cost of reproduction. Apart from the fact that we are dealing with the guesses of interested parties and not with facts, attention should be called to certain general principles. Generally speaking the tendency has been for prices of labor and material to increase. To base an estimate, therefore, on present or future prices is to give the utility some advantage as compared with the actual cost. Furthermore, each day causes a growth and congestion of population, and requires work to be done under constantly increasing limitations and difficulties. All these facts tend to give a value greatly in excess of the outlay on the present property.

But having deserted history for prophecy, and that in a totally unknown field, and prophecy, too, by parties unrestrained by law or fear, and who have an interest in obtaining as high a value as

possible, it is plain that when we come to the overhead charges and so-called intangibles the gates are open for the highest flights of imagination, warmed by gratitude for rewards of the past and inflamed by gorgeous visions of favors to come. Take the simple item of pavement over mains (about the only claim of the companies never allowed by the courts): most of the gas pipes (the same principle applies to electric conduits) were laid before the streets were paved at all, or when a very inexpensive pavement existed, and when there were no other pipes or conduits in the same streets to be interfered with; but the cost of reproduction as of the present time involves a full allowance for taking up and relaying the existing, expensive, modern pavements, paid for exclusively by the city. Under the existing congestion of traffic, pipes, and conduits, this item alone runs into millions of dollars in a single case. (About two million dollars was claimed by the gas companies of Boston ten years ago; more than a million was claimed in a most recent case,—the Buffalo Gas case, decided by the commission on August 4, 1913.) This alone shows how ridiculous is the whole theory of the present fair value of the property.

It is true the Courts have never made a specific allowance for this particular item, but the claim is always made by the companies, and, insomuch as these courts have never told anybody how they arrive at total values, it is not too much to assume that with the companies in their testimony and their arguments laying all the weight on cost of reproduction (compare the Buffalo Gas case, the Minnesota Rate case, the Green Bay case) and the courts insisting on the private property view of the whole situation, the item really has an influence on the mind of the courts in arriving at a final figure for the "fair value."

Truly, under the dictum of the "fair value" of the property, the companies usually succeed in keeping out of the record any reasonable presentation of the outlay or cost to the companies, and virtually tell the court that under its rulings it is none of the court's business how the companies acquired the property and how much it cost, the companies always insisting, and properly enough, that there is no steady and logical relation between cost and value, and that therefore the cost is not relevant testimony. This leaves the courts nothing but biased opinion, and what Justice Holmes calls the "elusive exactitude" of hypotheses.

Overhead Charges and Intangibles.

But the real difficulties begin when we come to apply the cost-of-reproduction theory to the so-called overhead and intangible values. The claims under these heads are legion, and I cannot attempt even a complete enumeration of them. Under the head are included such expenditures as the companies claim they have made, or more properly, under the cost-of-reproduction theory, they would be required to make to reproduce the property *and business*, which expenditures result in, or would result in, no tangible property. It must suffice to mention a few of the more important items. First comes interest during construction. The claim is that it would take from ten to twenty years, depending upon the magnitude of the utility, to reproduce an important utility, and that interest on the whole cost should be allowed at full rates for at least one half of this time. As a matter of fact, all large utilities—the Panama Canal excepted, and it has taken about four hundred years to build that—have been built piecemeal and put into operation, part by part, as completed, so that no very considerable part of the total outlay was tied up without earning power at any one time. The absurdity of this doctrine was shown in a recent case where the company put in a vigorous plea for interest on the inflated value of the whole system at seven per cent for ten years. Why should it have been for ten years, rather than for five, or for twenty? How closely does any sane person suppose that the claim in this case corresponds to the loss of interest actually suffered by that company in the building up a great railroad system in the course of a whole generation.

The second important item is charges for engineering. After ballooning the general value, the cost-of-reproduction theory, in the judgment of the attorneys for the company, requires a large percentage on the total value so found for general engineering. That this relates to the land of dreams and not of realities appears at a glance when we consider that great systems are all built up piecemeal, and that we have, for all but the very earliest units, the engineering usually done by the operating staff which looks after the extensions and then charged to operating expenses. In fact, the moment that we depart from the actual expenditures as shown by the books of the company, when these are properly kept, we are up in the air, and estimates offered have no relation to anything in the heavens above or the earth below. The same line of reasoning applies with equal force to some minor claims such as

general organization, promotion expense, legal expenses and contingencies, sale of securities, contractors' profits, and all through the dismal and appalling list of claims that are presented in every valuation case. As already intimated, the facts are, that, save for the small expense at the very beginning, all of these services are performed by a regular salaried staff, whose salaries are *paid out of operating expenses* while the plant is being built up and put in operation piecemeal.

Cost of Developing Business, Going Concern, and Good Will.

But we come to a much more important item, and one that rests on fundamental theory, when we take up the subject of "going value," early losses in operation, and cost of *developing business*, or whatever name we choose to give to the intangible and elusive creature. In this same category are to be included "good will" and "franchise values." The question of depreciation also is inextricably tied up with the cost of developing business.

Taking the franchise and good will claim first, it has been both legally and economically determined that there can be no good will where the customer has no choice, as in the case of a monopoly, —and the whole theory of regulation rests on the assumption of monopoly. Yet the companies always make claims under these heads, and, inasmuch as the court admits evidence on this point and has no rule to guide it, the claims doubtless have some influence on the final judgment. In the case of franchise contracts, which include a fixed rate of charges, there of course can be no regulation of rates. In such cases the value of the franchise is a simple matter. It equals the capitalization of the net earnings, at a proper rate, in excess of a fair income on the outlay of the companies. (The question of the increment in land value will be taken up later.) But such franchises are of course absolutely at variance with any sound theory of rate regulation. Where such valid franchise contracts do not exist the franchise has no value, for under proper regulation of rates there will be no excess of net earnings above a fair return on the outlay of the company.

In this connection, I believe a careful reading of the recent decisions of the Supreme Court will convince any disinterested person that the court has already discovered that contract ordinances are inconsistent with the modern theories of regulation, and that the courts, state and federal, are moving very rapidly to a point where, without any formal reversals, they will find a way to abolish most

of the existing franchises by a strained interpretation which leads to the conclusion that the franchises were invalid¹² from the beginning, for lack of power on the part of the municipality. When that happy day comes the way will be clear for real regulation, provided we can get back to the sound theory of principal and agent, and consequently away from the pretenses of valuation.

I have now shown that the true relation of the utility to the state is that of agent to principal, a relation in which all risks of loss legitimately fall upon the principal and not upon the agent, and all gains above just compensation for services and outlays accrue to the principal.

It now remains to show how this doctrine of principal and agent has been vitiated by our court rulings in regard to property rights in dealing with the three main items of, (1) "going cost," or "going value," or cost of developing the business; (2) surplus property acquired out of earnings in excess of a fair return, and (3) the unearned increment in land,—of chief importance in connection with railway terminals under the dominating influence of the theory of cost of reproduction. Courts and commissions have included not only the estimates of reproducing the physical property but also the cost of developing the business. The point here is the treatment of losses in the early years of operation. The companies have insistently, correctly, and successfully contended before courts (commissions, if they are to be more than mere voices of protest crying in the wilderness, must, perforce, follow the courts in this) that nearly all new enterprises in the early years of operation fail to make reasonable, fair, or average earnings. Furthermore, if private capital is to be induced to go into this business in quantities commensurate with the public needs of a progressing civilization, all will admit that these early losses must be repaid to the owners at some time and in some way. It must be further admitted that in the present state of popular opinion the public looks largely at average returns, and would be somewhat reluctant, if the issue were placed fairly before it, to allow large enough returns in the future to be a fair offset for early losses which have not already been completely liquidated by later returns.

But granted that such losses, if not already recouped by the

¹² See the *Home Telephone and Telegraph Co. vs. The City of Los Angeles*, 211 U. S. 265, *Moody, J.*, and cases cited therein. Many, but by no means all, state decisions point in the same direction. See decision of Judge E. R. Stevens in case of *Milwaukee Elec. Railway and Lighting Co.*, October 12, 1912; *Detroit vs. Detroit Citizens' Railway Co.*, 184 U. S. 368.

utility, should fall on the consumer and be provided for in temporarily higher rates or some other way, the question still remains whether we should amortize them out of earnings in a reasonable number of years, or whether we should violate the very meaning of language and add these losses to the value of the existing property, thus arriving at a value which will sooner or later be represented by securities to the full, or whether we should insist on a proper use of terms but allow a higher scale of charges and consequently a higher rate of return on actual outlay, and thus compensate for early losses. In the one case the loss will be compensated within a reasonable time and disappear from the account. In the other case the loss will be capitalized and be set up as a claim for additional earnings to all eternity. But worse than this, losses, if once capitalized, result in the worst form of stock watering, and we have lost our bearings in any future dealings with the company and shifted the whole problem to a false basis.

It should not be overlooked, either, that this item is vitally connected with the subject of depreciation and not only opens the way for capitalizing worn-out, obsolete, discarded, and useless property, but, in the absence of any proper separation of investment charges from operating expenses, it opens the way for claims for losses caused by reckless and extravagant, or even dishonest management. This practice, resting upon a science of guessing, incites to excessive estimates and claims as to the extent of any and all of these losses.

The courts have uniformly allowed for this item and have usually allowed for it in the capitalization. The Wisconsin commission has gone further than any other in this, and has been even more liberal than the federal courts in the amounts allowed.¹² In the Green Bay Water Case, they enter upon a long discussion of the method of finding "going value" and other intangibles, chiefly on the cost-of-reproduction theory.

Of what use is valuation when we go to such lengths? I have already shown that such so-called valuations rest on interested assumptions and hypotheses, and we have not yet found any limits to the amounts of value that may be *invented* in this way.

It would be interesting, if time permitted, to show how the

¹² *In re Cashton Light & Power Co.*, 3 Wis. R. R. C. R. 6; *In re Appleton Water Works*, 6 Wis. R. R. C. R. 97; *In re Manitowoc Water Works*, 7 Wis. R. R. C. R. 71; *In re Kaukana L. & P. Co.*, 8 Wis. R. R. C. R. 409; *In re Green Bay Water Co.*, 12 Wis. R. R. C. R. 241.

courts, being unduly burdened and not expert, are unconsciously influenced by the court commissioners who are usually not expert and are often biased, and in no proper sense responsible for their findings.

Another subordinate item of the same general nature is that of discount on bonds. Under the theory of cost of reproducing the business, the amount of the discount on bonds finds its way into the value and later into the capitalization. With the unrestrained pouring out of watered securities this becomes a serious menace to the public rights.

The limit, up to the present, to which this vagary has carried us is found in the claims of the companies in the recent Superior, Wisconsin, rate case.¹⁴

The commission's engineers, on their well-known liberal principles of estimating the cost of reproduction, found the value of the combined plants to be \$1,349,523. This, of course, includes contingencies, interest during construction, organization expenses of all sorts, contractors' profits, and so on. The company demanded an additional value for rate purposes of \$182,734 for accrued and unmet depreciation on *existing property*, \$202,200 discount on bonds, \$5,448 on organization expenses, \$24,914 for gas connections which they do not own, \$92,516 on property previously discarded, or a total addition of \$508,085, or 36 per cent of the value, not of the investment in the physical plant, but of the hypothetical cost of reproducing that plant. Does any one suppose that any private business could borrow money on the security of the items listed above? Or could any economist by any flight of imagination ascribe value to any of these items? Yet our learned courts and tethered commissions find no difficulty in ascribing value to all of these items, and saddling a charge to pay an income upon them on the public to the remotest generations. So far have economics and law parted company, under the persuasive influence of attorneys, accountants, and engineers! Nothing but getting back to the sound doctrine of prin-

"In this case, it is true, the commission allowed a value of but \$1,360,196, of which \$161,697 was for past deficits, \$100,000 for discount on bonds, and 12 per cent on the cost of reproduction for engineering. It refused to allow for the admitted depreciation of about \$30,000 on the land, and affirmed its oft-repeated statement that, "The cost of reproduction of a plant usually plays perhaps the most important part in determining its value."

I am not here, however, chiefly concerned with the amounts allowed, but with the methods and principles involved. 10 W. R. C. R. 735, 739, 741. Case decided Nov. 13, 1912.

cipal and agent and the consequent removal of these industries from the realm of speculative industry can ever remedy this abuse.

Property Acquired out of Surplus Earnings in Addition to Fair Dividends.

First, as Chairman F. E. Baker says, by surplus we mean "that which remains out of income after providing for operative and maintenance cost (including depreciation) together with reasonable dividends and interest on legitimate debt." This definition of course raises the question of appreciation of land, the so-called unearned increment, and that of donated property, which will be considered later, and ignores the idea of principal and agent. It is perhaps unnecessary to call attention to the fact that the existence of a real surplus or, if one exists, the extent of the same, cannot be determined from the balance sheet. The relation of the average balance sheet to facts is about the same relation that the value found under the theory of cost of reproduction has to realities, for under whatever theory of corporate management the assets are inflated the liabilities must be correspondingly inflated to attain a balance.

Nor does the existence of a real surplus prove or imply any impropriety, moral obliquity, or desire to deceive on the part of the utility managers. Any real surplus may be due to skill in the management, or to circumstances over which the management has no control. The actual existence of any surplus, as well as its causes, can only be determined by a careful analysis of all the facts in any given case. Furthermore, the creation of a surplus in a prosperous company cannot be prevented without injury to the service by any regulation however wise and effective. For the exact effect of any system of rates cannot be determined until after the event, and too close an estimate beforehand by a regulating authority not only is likely to be thrown out beforehand by the courts, but, if enforced, hampers the company with resulting injury to the public.

The question is, under our definition, where a surplus exists in a public utility, has the public any interest in it? Under our law there can be no doubt that the surplus is the property of the company, and in law it is not in any way segregated from property contributed by the share holders, or that earned from which fair dividends are paid. But in this connection we should never forget the right to amend and repeal charters or to require utilities to

render service for a just compensation. By definition, if such surplus is divided among the stockholders, directly or indirectly, they have received an unduly large compensation.

While the significance of this item is found in the case of the railroads, the case can be more profitably studied in the case of the Massachusetts gas companies. When the Massachusetts Gas Commission began operations, in 1885, it found a well traditionalized rate of ten per cent prevailing. All of the more important companies had enormous surpluses and had for years been making nearly all extensions of plant from surplus earnings. In fact, the companies as a whole were assessed for purposes of taxation for a considerable sum in excess of their capitalization. The reason was very simple. Prices had for a long time been purely traditional and wholly unregulated. There had been no publicity in the affairs of the companies; population and wealth had increased rapidly; improved processes had also greatly lowered the cost of manufacture and distribution. Profits were relatively enormous. The companies had been honestly but very conservatively managed locally by their real owners. The Commission naturally, but, as I believe under all the circumstances, mistakenly encouraged¹⁵ and commended such surplus, insisting that it secured present dividends against all kinds of hazards and assured the keeping of the plants in the highest state of efficiency by enabling them to obtain needed capital in abundance at the lowest cost. It was further urged that it would keep prices steady, or at least would, with advantage to the public, enable the companies to try experiments in price reductions which they would otherwise fear to make.

The Commission has from that day to this held steadfastly to this view, but the advent upon the scene of the Huns and Vandals of the speculative world under Addicks, backed by the courts' theory of property rights, has essentially prevented the Commission's giving the public any financial advantages from this theory.

¹⁵ *In re Springfield Gas Co.*, Am. Rep. 1894, pp. 7, 8: "The policy seems to have been to maintain the capital on a level with the construction account by declaring dividends to the amount of its increase and issuing new stock (for cash) for the same amount." *In re East Boston*, Ibid. p. 9: "The ordinary demands (for extensions) which a progressive management desires, and is bound to meet, may fairly be provided for out of the income when the price of gas has not been so high as to be burdensome." "It (surplus) proves advantageous to the public by making a low price possible, and to the share holder by adding security to his investment."

If the experience of Massachusetts teaches any lesson, it is that once an important surplus has been accumulated in the present state of law and business ethics in America, it will be, under the cost-of-reproduction theory, the practices of juggling the accounts of companies held captive by absentee holding companies, or some other invention of the lawyers and engineers, be capitalized, and the public will be made to pay as large a rate of income on such property as if it had been contributed directly by the stock holders.^{15a} But such dividends to the stock holders on this surplus is a denial of the theory of regulation and of fair compensation and of the recognized legal duties of such companies.

The question of the surplus in Massachusetts reached a crisis in the Haverhill Gas Company Case, where, fifteen years ago, the Commission undertook to give the public a share in this unparalleled surplus by a compulsory reduction in the price of gas. The company still charges the old price and earns about 34 per cent annually on its share capital. The matter has been in the courts in one shape or another for all these years. The Commission within the last few weeks won an important decision from the Supreme Court of Massachusetts,¹⁶ but the company immediately transferred the case to the federal courts, where the merry comedy occupies the center of the stage at the present moment. While the economic issue in the Haverhill case was wholly on the surplus, the legal issue was greatly involved. But in the Fall River¹⁷ Case, recently decided by the Supreme Court of Massachusetts, the issue was explicitly and distinctly on the surplus. The only question was whether the Commission by its ruling (in this case it refused an issue of stock for extensions which it ruled should be made from surplus) could give the public any share in the surplus. The court not only completely overruled¹⁸ the Commission but virtually abolished the powers of the Commission in this regard by ruling that in such matters the Commission was acting in a quasi-judicial capacity and must proceed on the same principles and virtually arrive at the same conclusion as a court would

^{15a} The American Telephone and Telegraph Company alone, so far as the present writer knows, has promised never to attempt to capitalize such a surplus.

¹⁶ *Attorney General vs. Haverhill Gas Light Company.*

¹⁷ Decided June, 1913. Reprinted in *Stone & Webster Journal*, July, 1913.

¹⁸ This is contrary to the view taken by the Supreme Court of Wisconsin 136 Wis. N. W. Rep. V, 116, 1908.

do. In this case, the court decided explicitly that this was not in form or substance a scrip dividend, and thus wiped out all legislative attempts to prevent securities from being issued directly or indirectly except for property needed by the company or for refunding issues for such purposes. This company had, after paying 12 per cent regular dividend for years, distributed its surplus in the shape of extra dividends, and then immediately came to the Commission for an issue of stock for extensions.

Does anybody suppose that any court, much less the Supreme Court of Massachusetts, if it had all the facts before it, would declare reasonable a rate that in the judgment of the court would result in dividends as large as recently paid by the Fall River Company? Yet such dividends are paid with the sanction of the court, twenty-seven years after the State in the most solemn way has declared by statute that rates must be reasonable and has set up the state commission to enforce such rates. Furthermore, this surplus so divided, so far as the record shows, had been for the most part accumulated since the commission was established. This reminds one of the condition of the land laws in England¹⁹ in the middle ages, where it became a fact that one who violently and illegally got possession of land stood a better show in the courts of maintaining his claims to the land than the unquestioned owner of the land who had lost possession. Hence the saying, "Possession is nine points in the law."

Surplus and Unearned Increment in the Case of the Railroads.

While no important new theories appear in regard to surplus earnings and unearned increment in the case of the railroads, the magnitude of the financial interests involved and the overwhelming importance to the public of a right settlement of this matter justify some special consideration of these subjects.

It is not disputed that (with the exception of very recent building) the American railroads were chiefly built from the proceeds of bonds and public subsidies of land and money. The stock, and often more, was water and represented anticipated future gains. Without for a moment accepting the accuracy of the hypothetical values now placed upon them under the theory of the cost of reproduction, it is probable, if the roads are granted the fair market value of their lands today, through this increase of value and the surplus earnings invested in plant, all the great railway systems

¹⁹Sir Frederick Pollock, *The Land Laws*, p. 80.

are undercapitalized. It is equally plain that under the prevailing doctrines of property rights and cost of reproduction, the railroads may indefinitely absorb the future social value caused by the increasing population and wealth. If these doctrines are to continue to hold, there can be, in fact, no regulation of rates, and the roads can achieve their apparent desire to make the public pay in rates for all extension and improvements of the system; can then capitalize this surplus, and draw an average, or fair, rate of income on it for the sole benefit of the stockholders.

In view of such a possibility, what becomes of the legal doctrine that public service corporations are public agencies and, in the case of the railroads, endowed with the sovereign power of eminent domain solely for the public advantage? Where under such a system is there room for the doctrine that rates must be reasonable and the service rendered for a just compensation to the private owners? Will not this lead us to the fulfilment of that happy doctrine of the railroad owners, so thinly veiled, that they are really entitled to all the difference between what they charge the public for services and what it would cost the public to have the same services performed by the transportation agencies employed before the advent of the railroads?²⁰

The extent to which this surplus has grown in recent years is shown by figures collected by the Interstate Commerce Commission. In the Western Rate Advance Case²¹ the commission asserts: "Notwithstanding the unquestioned liberality of the policy of the railroads toward themselves in charging maintenance expenditures to operating expenses, the carriers of the United States have accumulated unappropriated surplus amounting to \$800,642,923, of which \$606,536,556 has been accumulated in the last ten years (1899-1909)—that is an increase of 312 per cent in surplus with an increased mileage of 36 per cent." The Commission found that the six roads in this case had increased their surplus in ten years from \$108,000,000 to \$242,000,000,—that is by \$134,000,000, or an increase of about 125 per cent. The Commission takes exactly the view held by the Massachusetts Gas Commission on the inter-

²⁰ See speech of J. J. Hill, *Railway Age Gazette*, Dec. 20, 1912, p. 1182, where he says: "If the freight and passenger rates in force in the Great Northern system in 1881 had remained unchanged until 1910 there would have been collected from the public \$1,267,411,954 additional." In the same connection he says that railroads "have shared their gains liberally with the people through rate reductions."

²¹ 20 I. C. C. R. 332.

est and equity of the public in this surplus and upon the impropriety of its being capitalized or made the basis of increased rates or of its being alienated. After calling attention to the fact that the Commission has no power over capitalization, it remarks:²² "Since we cannot declare that accumulated surplus shall not be capitalized, the adoption of such a plan rests entirely with the carriers and the volume of such surplus as a public trust fund depends entirely upon their own policy and good faith."

This is certainly true as the law now stands. Is it not time that the economists took this matter seriously in hand, and proclaimed that the good old legal maxim that no man is fit to be judge in his own case is equally sound in economics, and that this matter cannot safely be left to be determined by the utilities themselves?

The Burlington road in this case took the traditional ground that it was none of the business of the public where the road got its property, that it demanded its constitutional property rights, and rates that would give it a fair return on the cost of reproduction of its property. In fact evidence on any other point was put in over the protest of the road.

The Commission found that in the case of this road the owners had contributed towards the enterprise \$258,000,000 (stock and bonds). The company on the theory of cost of reproduction claimed a value of \$530,000,000, or a surplus of \$272,000,000, or a surplus of more than 105 per cent. The Commission, after calling attention to the fact that the Supreme Court has never ruled on this point, says that to grant the claim would be "to guarantee forever an additional field for investment for the carriers without diminution of the rate of earnings." In other words, it would be to make the patron pay more in the future, and forever, because he had paid an unreasonably high rate to create this surplus.

Of the surplus of \$272,000,000, the Commission finds that \$150,000,000 is due to the increase of land values, and \$122,000,000 to property acquired out of earnings. Yet this surplus, under our system of jurisprudence, is made the distinct basis of a claim, not for maintaining, but for actually increasing rates. This is consistent with accepted theories of valuation, cost of reproduction, and the fair value of the property. Is it consistent with any sound theory of regulation, or with the doctrine that

²² *Ibid*, p. 26.

the railroad is a public agency for meeting imperative needs of an increasingly complex civilization? Does anybody suppose that the public anticipated any such result when, by an act of the sovereign power of the state, it dedicated these lands to this public use, and declared that rates should be reasonable?

To state the case in another way, does anybody suppose that if the state had built this road itself, as it had both a moral and legal right to do, the public would ever have seriously considered the raising of the rates on this road to provide an income on value thus created from either surplus earnings or from the increase in land values caused by social progress? Yet this increase is the logical outcome of the route we have been travelling. Cannot anyone see clearly that to continue on this road is to give the utilities all the chance for speculative gains that exists in purely private business, at the same time that we, in fact, under the theory of regulated monopoly and the capitalizing of losses, insure them against all losses in case the venture proves unprofitable? In short, we have arrived, from the standpoint of the companies, at the happy maxim of "Heads I win, tails you lose."

To resume briefly: when the public first began to realize the importance of the utilities to the public welfare (more particularly after the Supreme Court declared the industries "affected with a public interest" in 1876), the public desire centered about the attempt to prevent the companies from earning dividends on watered stock. In attempts to carry out this public desire, the courts invented the theory of fair value of the property. This necessitated a valuation of the property. The courts in this situation sympathizing with property rights and vested interests, and innocent of economic learning and without proper facilities for making scientific investigation, and, also, finding themselves overloaded with work, permitted the companies to foist upon them the false theory of cost of reproducing the property *and business* and thus caused the emphasis to be thrown on rates rather than on capitalization.

While it is true that the courts have never laid down a rule as to the part that cost of reproduction should play in valuation, such theories, as I have already shown, occupy nearly all the evidence in the cases, and constitute the bulk of all the arguments of the attorneys for the companies. Beyond doubt, they have, in fact, so far been given overwhelming influence in the decisions. The only hope at this point is that the courts, having never laid

down any rule, and, consequently, never having revealed the working of their minds, have left the gate wide open for a graceful retreat as soon as they wake up and realize what their practices have led to.

There is no hope through regulation till there is such a reversal, in fact, if not in form. Unless such a change is speedily brought about we are sure to move rapidly towards public ownership and operation,—a condition for which our traditions and form of government are at present ill adapted.

The companies have always laid great emphasis on the hazards of the business. Nothing could have been more hazardous than investment in this field when so-called competition, real and potential, was unrestrained. But under the doctrine of regulated monopoly these risks have been greatly lessened, while under the practice of capitalizing losses the companies have in large measure had their real, and in many cases merely alleged, losses made good and have been allowed to capitalize the same. They have thus been assured of an income on them for all time, while they have been permitted to retain all their speculative gains in case of successful ventures.

Two important points I have been unable to discuss. I digress for a moment to throw out some queries in regard to them: I have shown that the capitalizing of losses (without material reduction for losses caused by recklessness and extravagance, or even requiring actual proof of the losses) amounted in fact to a guaranteeing on the part of the public a fair rate of income on the investment from the beginning. My query is, would it not be more expedient for the public, under the rule of requiring a certificate of convenience and necessity for each enterprise, to guarantee directly and formally a fair income rather than to reach the same practical result by an occult and circuitous process?

Another question touches a more fundamental matter. We have left these industries in private ownership on the traditional ground of the value of private initiative. Have we ever stopped to analyze whether or not such initiative does not involve to a higher degree than we have yet realized, and even to a higher degree than is safe in such vitally necessary public functions, the element of speculation? But a still more profound question arises at this point. It is admitted by all competent students that we have as yet developed no commissions with sufficient legal powers, and expert enough, strong enough of backbone, permanent enough

in tenure, with large enough staffs of sufficiently expert employees, to keep watch over these companies closely enough to prevent the speculative gains of the owners.

I close with this query: Should we be able to overcome the present difficulties on these points, and get power enough over the companies to make regulation on the only sound doctrine of principal and agent really effective, may we not find that we have so far interfered with the advantages of private ownership by destroying the chance for speculative gains as to have wiped out all the important differences between the efficiency of public and private ownership?

REGULATION OF PUBLIC SERVICE CORPORATIONS— DISCUSSION

EDWARD W. BEMIS: Professor Gray admirably portrays both the necessity and difficulty of public regulation of privately owned utilities. These difficulties he traces in part to the acceptance, fortunately not complete, of the duplication theory by many courts and commissions instead of the theory of cost or sacrifice, as the criterion of fair value in rate making.

There is much hope, however, from the fact that our higher court has not only avoided any acceptance of the cost of duplication of plant or business as the sole or even the chief question in rate making, but has emphasized "fair value" instead of "value" and has thus introduced considerations of ethics and public policy.

It has paid very little attention either to the market value of the outstanding securities or to any capitalization of present and prospective income. It has ignored what a public utility as a whole will sell for, and has thus abandoned the use of the word "value" in its economic and ordinary significance of power in exchange.

In the Minnesota Rate Case, the last decision of the United States Supreme Court, the land was only valued at the value of the adjoining land, yet no railroad could buy a right of way without paying more than this. The court went further and refused to allow any addition to this land for engineering, interest, and other overhead charges while the track was being laid upon the land, yet the application of some overhead charges to land as well as to other items, and, indeed, a large amount for interest is of the very essence of a reproductive theory.

Some of our courts, and especially our United States Supreme Court, and some of our commissions, notably the Massachusetts Gas and Electric Light Commission and the Interstate Commerce Commission, the two oldest and most famous of the group of commissions, are recognizing the importance of accounting and financial history in reaching a fair value of property for rate making. Unfortunately, data of this character have not been presented with anything like the fullness with which engineers have presented their theory of the cost of duplication.

A new epoch has opened with the act of last March for the valuation of all railroads, steamship lines owned by them, and of telegraph and long distance telephone lines, and other inter-

state carriers now subject to the commission. This act clearly and emphatically requires the Commission to gather the data upon the original cost and financial history of their property as well as upon its cost of duplication.

After the information has been presented to the Commission, there will be a great opportunity for an educated public opinion such as this Association may help to form, in emphasizing, for the benefit both of the Commission and of the courts, and of those who appoint or confirm members of commissions and courts, the vital importance of presenting the real cost of the property as compared with the absurd conclusions that have resulted from most efforts to present the reproductive theory. Indeed, the reproductive theory, when logically presented, is bound to give a company not only the present value of the land even when donated, and the cost of cutting through and relaying all paving laid over mains without cost to the company, but also all surplus earnings invested in this property. Many other unearned increments are secured by our public utilities under this method of valuation as described in the paper before us.

Much might be said in confirmation of another point made by Professor Gray, relative to the difficulty of securing the right kind of men and sufficient financial equipment for efficient regulation. I believe more harm than good is being done in many of the states by giving to a poorly equipped and poorly trained commission powers of regulating securities, and taking away powers of regulation and ownership from cities. It is all right to set up good standards of service and to secure publicity and uniformity of accounts, but to regulate poorly in other ways is usually worse than not to regulate at all. In putting the stamp of public approval upon new securities for needed extensions great care must be taken to prevent giving a moral if not legal validity to inflated securities, which they ill deserve. Precedents are being established that are likely to cause trouble in the future.

Our state commissions too often are being used to check the growing spirit of home rule and municipal ownership instead of guiding those movements through proper accounting methods and engineering advice.

It is one of the curious phases of the modern craze for state regulation that it is assumed that city regulation has proved a failure. As a matter of fact, our cities have never been given such rights of regulation as are now being showered on state commis-

sions. Cities have usually been given only the rights to tie themselves up for a generation or more and too often for nine hundred and ninety-nine years, or all-eternity, but that is not regulation. Until our large cities have been given a fair trial in regulating their utilities, in the full sense in which our state commissions are given that right, no one but the spokesmen for these monopolies should advocate the still further tying of the hands of the local bodies which these utilities are learning to fear.

Professor Gray intimates that regulation is exceedingly difficult and that ultimately public ownership may be found to be better than even the best regulation. There is at least enough force in this contention to make it vitally important to check the present tendency of state regulating bodies to handicap home rule and public ownership and validate existing watered securities, while they are not equipped with sufficient accounting and engineering staffs and a personnel strong enough to secure reasonable rates. The public is far more concerned in rates and service than in the amount of securities unless by their action our commissions assume a dangerous responsibility therefor. Too much attention cannot be given by the Association to the various problems before us in the control of public service corporations.

With such little success as yet in the regulation of our recognized and comparatively simple but exceedingly powerful natural monopolies, we can recognize how much more difficult would be the policy urged by some, of regulating the charges of our so-called industrial trusts.

In the rapidly increasing efforts to regulate our city and national utilities, however, a considerable body of men is being trained for this new form of public service. While some no sooner acquire this training than they accept employment from the corporate interests, yet the number of trained men remaining on the public side is growing.

No one can become really familiar with the true status of public regulation today, in most states, without being startled at the flippant way in which new state commissions are yearly created and given increased powers, without any recognition of the ways in which nominal regulation in some states is playing into the hands of monopoly, and in some important respects is proving to be worse than no regulation at all.

It is not enough in any state or city to decide that regulation is needed. Beware lest the legislature so change the best drawn

law, or lest the appointing power select such poor agents for the execution of the law, as to make the last state of the consumer and of the body politic worse than the first.

It is often asserted that regulation of monopoly charges should be taken out of politics. Monopoly charges, however, are analogous to taxation and can never for long be taken out of control by the voter without more benefit to the investor than to the user. An electorate of college graduates or payers of the national income tax, or officials from those classes, would not govern in the interests of all. Regulation and expert bodies to regulate we must have, but through them we should seek rather to secure the fullest information and control of state wide and nation wide utilities, while crippling to the least possible extent the growing interest in regulation and ownership of our legal bodies.

JOHN E. BRINDLEY: It is altogether impossible, in the brief time allotted for this discussion, to present a critical estimate of the instructive paper on "The Control of Public Service Corporations," which has just been read. The most that can be accomplished is, first, to mention two or three fundamental principles well thought out and clearly stated, and, second, to question certain other conclusions, which, if allowed to pass unchallenged, may have a tendency to lead the public astray from the pathway of sane thinking and therefore of just and efficient methods of administration.

First of all, the contrast between the pioneer ideals of free competition and extreme individualism and the social or general welfare philosophy of the present day is presented in an excellent manner; a contrast, by the way, which must not be forgotten, if we are to develop efficient administrative systems for the regulation and control of public service corporations. In fact, when we consider that the individualism of 1787 was the dominating force in our national life for more than a century and still exercises a powerful influence in shaping public opinion, no one need be surprised that it requires time and effort for the people to face in the opposite direction and look upon certain corporations as natural monopolies which must be regulated or owned by the state.

In this connection, the statement made and repeated by Professor Gray that the public has abandoned the competitive theory of controlling public utilities is not strictly accurate; for, while it is true that the people through their chosen representatives are

creating boards or commissions clothed with greater or less powers they are clinging at the same time like shipwrecked mariners to competition as the real solution of the problem. The truth is that the thought of the average elector is passing through a period of transition from the theory of competition to the theory of agency or, what means essentially the same thing, the theory of natural monopoly and consequently state ownership or control. Certainly the Administration at Washington must hold this view, it being announced through the press during the last two weeks that regulation by commissions is but a necessary means to accomplish the end devoutly to be wished, viz., the restoring of competition. I assume that what is true of the general government is also true of at least forty-five of the commonwealths.

While it is a fact that the right of the state to regulate certain industries was long ago a well-established principle of the common law, and that the decisions of the United States Supreme Court in *Munn vs. Illinois* (1876) and *Smythe vs. Ames* (1898), the Interstate Commerce Act of 1887 with the amendments that followed, especially in 1906, and laws creating a number of state boards or commissions, represent substantial progress in the control of those natural monopolies arising from qualities inherent in business, another decade, perhaps a generation, will pass before the transition from the theory of competition to the theory of monopoly has become well established in the public mind.

Second, the general theory of regulating service and rates is well stated as follows: "The scientific theory is that the utilities should render adequate, safe, and universal service, at just, reasonable, and fair prices to all, and that the sovereignty shall be the final judge in every case of these matters."

I anticipate that no serious objection will be made to this clear statement of a well-known principle either by economists or by representatives of the engineering or legal profession who have made a careful study of the problems under consideration. A fair return on a fair valuation, reasonable rates, efficient service, etc., are familiar phrases in the political and economic literature of the day.

In the third place, however, we come to a more serious problem, that of working out a just and practicable method of rate control. Here again students of public utilities will generally accept the following brief comprehensive statement: "So far as the control of rates is concerned, there are three main elements

involved in the problem of regulation: first, the amount on which the owners are entitled to a fair return; second, the fair rate of return under the circumstances of each case; third, the rate of charge that will make such return. It will readily be observed that the fair return is the product of the rate of charge and the base amount over which the rate of return must be spread."

In formulating this doctrine of a fair return on an amount or valuation which is equitable both to the investor and the public, Professor Gray is thinking of the field of natural monopoly and the law of monopoly price. To regulate and control this price or rate, as the case may be, it is necessary first of all to determine the base or fair valuation on which a so-called reasonable net return may be computed. The statement made in the paper is in substantial agreement with the views held by Mr. Halford Erickson, an eminent practical authority on rate problems, who said to this Association in December, 1907, that "In determining what is a reasonable rate, therefore, it is also necessary to know the value of the property used for the purposes of transportation as well as what constitutes a fair rate of interest upon this valuation."

To sustain the contention that, in dealing with public service corporations, a fair valuation must first be determined, second, a reasonable rate of dividend, and third, a rate of charge that will produce said dividend, a long list of able authorities, economists, engineers, and attorneys might be quoted. I shall conclude this part of the discussion, however, with a statement made by Professor Henry C. Adams in a paper read before The American Economic Association in December, 1909: "An authoritative valuation is essential for determining the reasonableness of the price paid by the public for services rendered."

Thus far it will be observed that the only important criticism of the paper relates to the statement that the public has abandoned the competitive theory. When we pass, however, to the fourth and principal theme of Professor Gray, viz., his very emphatic rejection of the principle of fair valuation as a basis of determining reasonable rates, I anticipate that there will not be an unanimity of opinion among careful students of public utility regulation. On this point the thought of the author can best be presented in his own words, bearing in mind that the necessity of some kind of a valuation, as above outlined, has already been recognized.

We read as follows: "The gist of control is a control of rates. In practice, we have made appraisals and valuations the basis of rate control. This is fallacious from the start and has always led to undesirable results and to the absence of real control, for in the business world value depends entirely on estimated returns or earnings, but returns depend on rates, and the circle thus becomes complete. I repeat that on any sound principle there should be no valuation for rate regulation but history, that is, a statement of outlay, or money spent and services rendered, nothing more." Later in discussing the cost of developing business, going value, and good will he assures us that we should get back to "the sound theory of principal and agent, and consequently away from the pretenses of valuation." And finally, in passing strictures upon the elements of value allowed by the Wisconsin Railroad Commission in the Superior Rate Case, we read: "Yet our learned courts and tethered commissions find no difficulty in ascribing value to all of these items, and saddling a charge to pay an income upon them on the public to the remotest generations. So far have economics and law parted company, under the persuasive influence of attorneys, accountants, and engineers."

A critical analysis of these statements and indeed of the paper considered as a whole will reveal, in my judgment, two weak links in the chain of reasoning. First, to sustain his argument that we should get "away from the pretenses of valuation," we are informed that "in the business world value depends entirely on estimated returns or earnings, but returns depend on rates, and the circle thus becomes complete."

It will be generally admitted that in the ordinary business world, where competition prevails and controls prices, net earnings determine the value; but in another connection the author has stated in emphatic terms that the public has rejected the competitive theory and that in discussing public service corporations we are dealing with natural monopoly. If this is true, the apostles of fair valuation are not reasoning in a circle, for even Professor Gray admits, as already explained, that the law of value in the case of natural monopoly is just the reverse of that which prevails in the field of competition, which is another way of saying that a reasonable rate of charge is one of the results and not a cause of the fair value of a given utility.

But it should be stated in this connection that the author him-

self is not able to reject all "pretenses of valuation"; for in lieu of the so-called fair valuation fixed by "learned courts and tethered commissions," he substitutes a plan of valuation, which, to quote the language of the paper, is to be "a statement of outlay, of money spent and services rendered, nothing more." A score of pertinent questions will at once occur to the members of this Association. How is the outlay to be determined? By what method is the value of services rendered to be fixed? Does not the fair value of a given utility have something to do with the value of services rendered? If Professor Gray has in mind money spent for a given plant in its present condition, how can this be determined except by a careful study of the numerous plant elements in their various stages of depreciation? In other words, how are we to avoid the necessity of consulting the economist, the lawyer, and the civil engineer?

Indeed, the plan of fixing value on the basis of "a statement of outlay, of money spent and services rendered, nothing more," would seem to be open to serious criticism in view of the declaration by the Interstate Commerce Commission that "No court, or commission, or accountant, or financial writer would for a moment consider that the present balance sheet statements purporting to give the cost of property suggest even in a remote degree a reliable measure either of money invested or of the present value." Nor does the author seem to be entirely clear in his own mind as to the real merit of his plan of valuation; for in one place we read: "In fact, the moment that we depart from the actual expenditures as shown by the books of the company, when these are properly kept, we are up in the air, and estimates offered have no relation to anything in the heavens above or the earth below." But in another connection, when the subject of surplus earnings is under consideration, the opposite opinion is thus expressed: "The relation of the average balance sheet to facts has about the same relation that the value found under the theory of cost of reproduction has to realities, for under whatever theory of corporate management the assets are inflated the liabilities must be correspondingly inflated to attain a balance."

In conclusion, a few general observations regarding the paper may not be out of place. The extreme statement of the theory of principal and agent wherein it is alleged that the agent is entitled to only a fair return and that everything above that sum belongs to the principal or, in other words, the state, is only

another way of presenting the well-known doctrine of Professor Henry C. Adams that everything above a fair return should be taken by the state in lieu of all other taxes. Such a doctrine, if put in practice, would no doubt result, first in poor service and later in receiverships and possible state ownership. The Chicago street railway settlement giving the companies 45 per cent and the city 55 per cent of everything above a fair return is, in my judgment, a more statesmanlike system. It is the proper business of law-making bodies and commissions to regulate and control, not to destroy, private initiative.

Again, it should be noted that the strictures in the paper on the principle of valuation are in reality directed against one of the many elements of value which must be considered by courts and commissions in arriving at a fair valuation for rate making purposes, viz., the cost of reproduction new. It may be that the Wisconsin and Massachusetts commissions have been lured by the siren song of accountants, attorneys, and engineers employed by the corporations and as a result have fixed certain valuations too high. I am not sufficiently familiar with the Superior, Haverhill, and Fall River cases to pass judgment on this point. The fact that the cost of reproduction new, so-called, may be open to criticism does not mean that the whole principle of fair valuation as such must be rejected.

Finally, it should be repeated that the public mind is by no means a unit on the proper relation of the state to industrial action. Some believe in state ownership, others in state control, and still others, perhaps a majority of the electorate, feel that natural monopoly is contrary to the principles of free government and should, therefore, be destroyed. Until the average American commonwealth develops a much more efficient system of administration it is not in a position to adequately control, much less to own and operate, the larger public service corporations. This being true, it is doubtless good statesmanship to retard the growth of monopoly by restoring competition wherever possible, bearing in mind, however, the obvious fact that public utilities are natural monopolies by virtue of qualities inherent in the business and that while we may delay we cannot prevent irresistible economic tendencies.

JAMES E. BOYLE: Professor Gray has succeeded in pointing out the weakness in our present system of control of public service

corporations. In my opinion he has proved his case. But I, for one, regret that he has not given us a fuller view of the remedy which he would deem adequate to cure present defects in our system of control.

On the following five important points I am in entire agreement with Professor Gray: (1) Important industries which are monopolies are, from the economic standpoint, public utilities, and they should be so classified also from the legal standpoint, and should be subject to public regulation as such. (2) The success of our control thus far has extended merely to the grosser forms of abuse, but has not reached the root of the evil. (3) It was a judicial error—and one of the first magnitude—that gave us the doctrine of valuation instead of investment as the basis of rate making. (4) The Fourteenth Amendment has had a mistaken interpretation by our higher courts, the effects of which are most serious. (5) Losses and surplus of public utility corporations have been capitalized, thus unduly but legally increasing the burden of rate charges.

The speaker holds, if I understand him aright, that there is *hope* through regulation by a commission provided the courts “wake up,” reverse their previous decisions, and accept investment rather than valuation as a basis of regulation. How much “hope” he does not say. Yet this question of remedy is exactly the crux of the whole matter. And if regulation by a commission is to be accepted as the proper step towards a final solution, is the commission to be a home-rule commission in each large city, or is it to be a centralized commission, one for each state to regulate intrastate corporations? I note that such a good authority on municipal public utilities as Delos F. Wilcox favors a certain liberal amount of home rule, while another great authority, Dr. B. H. Meyer of the Interstate Commerce Commission, favors centralizing such control in one state board or commission. I regret that the speaker did not give us any hint as to his views on the question.

And I am further sorry that he said nothing about what is widely viewed as a serious evil, namely, the tremendous Wall Street domination in the field of all great public utilities. For even if the courts should repent of their past sins and be converted to the new and correct doctrine of rate regulation on an investment basis, this new situation would not affect the evil of Wall Street control.

I presume the majority of economists are agreed that at the

present time government ownership of the great public utilities would be too dangerous an experiment to make. Many examples of the flagrant abuse of patronage, both federal and state, are too fresh in our minds to permit us to feel otherwise. This obstacle to government ownership may in the course of years be removed. The question of private initiative was raised by the speaker. I, for one, do not believe that private initiative is due to the hope for speculative gains. The greatest private initiative in the fields of art, literature, medicine, science, statesmanship, and other fields has never been connected with the thought of economic reward.

If there is one economic tendency stronger than any other at the present time, it is obviously the drift towards greater social control—control not merely of production but of income itself. What is all this long agitation about watered stock for the past several years but a sort of blind groping after a way of preventing persons from securing incomes where they had invested neither labor nor money. And now comes the ever-swelling chorus of the single taxers, forcing on the public attention the fact that the landlord who appropriates unearned increment is also taking an income where he has invested neither labor nor money. And last of all come our Blue Sky Laws, under the winning title of "Conservation of Business," and having in view the prevention of the promoter's reaping where he has not sown. Increased social control seems to be inevitable. In the case of railroads, which are by far our greatest public service corporations, one form which this social control may take was pointed out last year by Mr. William Cook, in an article entitled "Industrial Democracy or Monopoly."¹ I believe his scheme deserved more attention than it apparently received. In brief his plan accepted the unwisdom of government ownership; it accepted concentration of control as inevitable; it proposed a single holding company for all the roads, supervised by the government and with earnings guaranteed by the government. To me this plan looks both feasible and desirable. However this plan is doubtless too radical to win general approval in the immediate future. Meantime, what shall our next steps be? We have the commissions now for the control of public utilities. Apparently the first thing is to pray for a change of heart in our courts, that the commissions may deal properly with rates. But there are two other things which are essential to com-

¹ *McClure's Magazine*, Jan., 1913.

mission control. The commission should have (as the Interstate Commerce Commission does *not* have) control over capitalization, control over the issue of all stocks and bonds. The commission should also have complete control over accounting.

To talk about enforced competition in the field of public utilities appears to me as absurd.⁴ We must, in my judgment, accept monopoly and either regulate it or own it.

When we have perfected our commissions to regulate these utilities, then, perhaps, and not till then, can the people try public ownership. Public ownership seems to be the final solution.

JAMES E. ALLISON: I have read with very great interest Dr. Gray's paper as submitted to me in manuscript and regret that he has not had the opportunity under the rules to read the full text. It takes a very broad view of the question and is of great interest to those who have been in touch with regulation work. There are some points, however, upon which Dr. Gray leaves me, at least, in some confusion as to his meaning.

If the term "valuation" is used strictly for defining a determination of exchange value I will concede that such valuation would be futile, for, as stated by Dr. Gray, the value (through the rate of return) ultimately depends upon the rates, and to change the rates would mean to change the present exchange value, so if we first establish the present exchange value we could not change the rates.

I think that Dr. Gray would not say that so-called valuation work or appraisals for rate regulation have been made entirely on a basis of obtaining present exchange value, although I will agree with him that in most of our court opinions and in a great part of our commission decisions there seems to be no clear understanding in the minds of the judges or commissioners as to the difference between costs and values. But to those who understand the work of regulation, the word "valuation" does not mean the determination of the exchange value of a plant but means merely the determination of the amount of capital in the enterprise upon which it is proper that the investors should earn a reasonable return. Perhaps unconsciously in some cases, only half consciously in others, the commissions and courts have caused the general trend of results to work toward this end. Costs have been used (whether present costs or original costs) to build up a total amount of estimated investment, and it is only after this

point has been reached that most of the courts and commissions have exhibited their confusion of mind as between costs and values by erroneous methods in connection with so-called "going value" on the one hand or "depreciation of investment" on the other.

Dr. Gray has very ably placed before you the theory of agency, but agencies, as we all know, are of many different kinds, and the contract as understood between the agent and his principal is a vital element in passing on any question of justice which may arise between them. So long as public utilities are privately owned the furnishing of capital is a part of the agent's service. There must be a reward to the capitalist for the use of his capital and this reward must necessarily be based upon some determination of the amount of such capital.

Dr. Gray has stated that there should be no valuation for rate regulation but history, "that is, a statement of outlay of money spent and services rendered, nothing more." By this statement I presume that Dr. Gray intends to advocate what is known as the original cost theory of valuation and I take it he will agree with the definition of the original cost theory of valuation as being the original cost of the present existing property, for any other interpretation of original cost opens the door to a much greater exaggeration of the capital item than is possible under the cost-of-reproduction,—new theory against which he brings many very proper objections.

Reverting to the agency theory, we must recognize a just interpretation of the contracts of agency, and in applying this test we shall find that no one theory of so-called valuation is likely to bring a just result. In dealing with the past we must conform more or less to what was the accepted understanding between agent and principal. In dealing with the future it should be especially evident to economists that the laws controlling the flow of capital into the public utility enterprises can not well be regulated by statute or arbitrarily made rules, and that if we are to retain our present system of privately owned utilities it must be the endeavor of those in charge of the regulation of them to find what might be called the natural economic laws governing the investment and apply these laws to their work as regulators.

If commissioners or legislators attempt to regulate incomes from public utilities without regard to the amount of capital invested or to the terms necessary to induce capital to enter these enterprises, then we shall find, if the arbitrarily established re-

turns are too low, that capital will refrain from entering the public service and the public will be compelled to furnish its own capital, which means public ownership.

It might be contended that investors having their capital already in these enterprises would be forced to submit to any return determined by authorities having power to do so, but, aside, from the extreme injustice of such a position, we should find that, if returns are not adequate to meet the natural economic laws the result would be merely the confiscation or partial confiscation of the present owners' interests in the property. Such a condition could exist only temporarily, for the public utilities must constantly expand and are constantly needing new capital. If they do not expand the public is not properly served, and they can not expand unless capital can be induced to enter them.

An attack on some of the methods or theories now used in so-called valuations can readily be sustained, for none of them appear to be perfect and some of them are very faulty indeed. It should be remembered, however, that what may be called the science of valuation for public regulation is quite new and as it becomes more of a science it is probable that many of its present crudities will disappear.

In this brief talk I have brought out no fundamental disagreement with Dr. Gray. My intention has been merely to comment on certain points which in the broader scope of his paper could perhaps not well be treated fully.

W. F. GEPHART: It seems to me that the writer of the major paper has overemphasized the relation of profit taking and the exploitation of natural resources. There is an assumption, first, that our natural resources have been largely exploited, and, second, that the consumer cannot be greatly injured in the large profits which may accrue from this exploitation.

Exploitation does not need to be the chief characteristic of legitimate economic profit taking in the first place, and in the second place there are many fields yet open in which the prospect of securing economic profit is large, including that of developing public utilities. We are continually boasting of our efficiency in production and so much has been said in recent years concerning our exploited natural resources that we are prone to forget that economically the United States is yet a new country. It is only in some of the fields of primary production that we have achieved

any great efficiency. In the secondary stages of production, and in the very large field of distributing products, scarcely a beginning of efficiency has been made. There is in this respect a large opportunity for the undertaker to secure legitimate economic profit.

Nor is it true that in the field of public utilities no opportunity for profit taking is longer present. It is true that we have very generally agreed that public utilities should be monopolies, but this does not imply the absence of profit. If we grant that the element of risk is necessary to justify profit taking, there yet remains a field in public utilities for such profit.

Many of our cities are yet without adequate public utilities, and with the present growth of urban population there will probably be an increasing demand for the service of such utilities. For example, some of our largest cities are yet depending upon surface transportation exclusively. Improved facilities of transportation, heating, lighting, and communication will be demanded, which will involve an element of risk which will only be assumed by private capital if an opportunity of a sufficient return is afforded. It must always be remembered that capital has a choice in its investment and, if the system of private ownership is to continue, sufficient inducement must be given to capital to go into public utilities.

If the rule of principal and agent is to be adopted in this matter, then it would seem that the logical conclusion is public ownership. The agent receives only wages, the capital being supplied by the principal who assumes all risk; and thus the public, being the principal, should own these utilities and employ workmen to operate them. However, many are not agreed that this is the proper solution. Such a solution would not solve many of the problems of public utilities. Certainly the problems of determining fair and equitable charges, or of deciding upon the particular character of the service, would be no easier. Indeed the problem might be complicated. Consider, for example, the problem arising under the principle of cost of the service as distinguished from the principle of cost to serve. It is now and would under public ownership be desirable to extend water, gas, light, and transportation service to certain consumers or districts that would not and should not pay a price which would cover the cost per unit to extend the service. Yet this would be desirable, not only for the benefit of those served and the community as a whole, but also

for those other consumers whose payments covered the total cost and something in addition. Most of these utilities follow the rule of decreasing cost, and such an extension of the service might result in a net lower cost to those consumers who paid something above cost as compared with what they would pay if these increasing units were not supplied.

I realize that the principle of charging what the traffic will bear has come into ill repute, but the above stated principle is not a crude application of the principle of charging what the traffic will bear, which has come into such ill repute because of its past abuse, especially in the case of railways. Under proper government supervision limited adjustment of charges on the basis of the cost to serve would redound to the benefit of all.

There is another aspect of the question of controlling public utilities which deserves serious consideration. This is the increasing demand from the public for improved service as well as a better manner in being served. Recently a state utility commission ordered a public utility company to dismiss its president on account of his disagreeable manner in dealing with the public. In the case of railways there is a demand for better equipment; in the case of street railways, for better heated and ventilated cars. Cases might be multiplied to illustrate the newer ideas of the public in regard to what they think are their rights over public utility operations. We have been accustomed to state that a monopoly has no good will in the same sense as a competitive business which built up its business not only by fair charges but also by a pleasing manner in serving its customers. Not a few of the public service monopolies have been cultivating good manners in their relation to the public, and we are now promising to legislate into all public service monopolies what practically corresponds to good will in a competitive business.

It is probable that the public, however, is beginning to insist upon a standard of service, both as to manner and rates, which they do not demand or get from private competitive business. There is a widespread belief that public utility organizations are overcapitalized, that they all use and have used improper business methods, and that they charge unduly high rates. The vicious sins of some of these organizations in the past, and the iniquity of some in the present have been visited upon all of the present organizations and give character to the present-day opinions.

If, therefore, the public continues to express their opinions in

increased demands of every character, the logical result must be public ownership, for private capital can not be forced into any particular investment. Furthermore, if any ownership is established, it may even then be difficult to satisfy the public as to the manner of the service and the rates for it. Evidence is not wanting that an increasing number of people believe that the government exists primarily to grant gratuities of some kind.

Public regulation has so far not been a success, at least as measured by what the public expects. Probably we are expecting too much. The demand for complete solution of all economic and social ills is insistent and impatient of delays.

Doubtless most of the commissions have had inadequate force to deal with the numerous complaints, trivial and otherwise, which have come before them. Doubtless some of them have followed a rule of thumb method in dealing with the problem. We have been on the border of the problem and not into it. But progress has been made. The ground has been cleared, and, if the public is somewhat more moderate and the commissions somewhat more able, there is yet promised the preservation of the private initiative and public service in public utility operations.

C. J. BUELL: I confess that I am not very much interested in the question of galvanizing dead horses. This system of permitting private corporations to own and exploit our public utilities is fast dying and will soon be dead.

Everywhere in the world the tendency is irresistible toward the public ownership of all those utilities that are in their nature public. A few years more and there will be no such anomalies as public service corporations,—no privately owned railways nor telegraphs nor telephones, no private corporations owning street car lines, nor gas, water, or electric systems.

Until that time comes, we shall need to make the best of our present situation. The people of our cities have lately been learning how to control and regulate their public service corporations very effectively; and the private owners are becoming very much alarmed. This is the secret of the great noise that we hear in favor of *state* commissions to regulate *city* utilities.

This is also the secret of the great "National Civic Federation," composed of owners, attorneys for, and agents of, the great public utility corporations of the whole country. This National Civic Federation is just now very anxious to secure the passage,

in every state in the union, of laws creating state commissions which shall control not only state utilities, but all city utilities as well, thus depriving the cities of any and all control over their own public affairs.

In this state last winter we killed such a bill very dead. Then the Governor threatened to call an extra session of the legislature to pass it; but the opposition was so great that he did not dare issue the call. In the meantime the people are getting their eyes opened to the importance of saving to their cities the principle of home rule and local self-government.

I believe this craze for state commissions has reached its flood, and will now die out, in spite of the efforts of the public service corporations to keep it alive.

I also want to call attention to another very dangerous proposition that some speakers here this morning have advocated. They have urged that the state control the issues of stocks and bonds of these corporations. If that is to be done, how can we escape the necessity of permitting these corporations to charge enough for their services to pay dividends on all these stocks and bonds and thus saddle upon the people forever the burden of watered stock?

No, the true solution of this question is the public ownership of all public utilities, as fast as it can be brought about; and, in the meantime, leave every city free to manage its own affairs. Most of the great cities in the history of the world have been free cities. Babylon and Nineveh, Tyre and Athens, Carthage, Rome, and Alexandria, in the ancient days; Venice, Genoa, Milan, and Florence in Italy, and all the cities of the Hanseatic League in Germany—all these were free cities, just as Hamburg, Bremen, and Lübeck are today free, self-governing, republics within the limits of the German empire.

We should not regulate evils forever, but abolish them as soon as possible.

RALPH E. HEILMAN: Several of the speakers this morning have referred to the regulation of the securities of public service corporations. The important question in such a regulation, to my mind, but one which has apparently been given little consideration is, "To what extent does the approval of securities by a public utility commission mean that a company will be allowed in the future to charge a rate which will permit a fair return upon such securities?"

It is true that the oldest rate making commission in the United States, the Massachusetts Gas and Electric Light Commission, does base its rates upon the securities which it has previously authorized. But this commission does not make a physical valuation of the properties under its jurisdiction. In most of the other states the situation is different. The newer state commissions authorize the issuance of securities, but proceed to base rates upon the reproductive or present value of the property. Sooner or later there will be a discrepancy between such valuations and the stocks and bonds issued for the construction of the property with the approval of the commissions. When this condition arises, must the rates permit a fair return upon the securities issued, regardless of the physical value of the property at the time rates are under consideration?

The answer to this question is not to be found in the laws of any of the states, nor in the formal decisions of any of the commissions. So far as I can learn, but two bodies have even indirectly touched upon this point. The New York Second District Commission says that its approval of stocks and bonds cannot be taken as an absolute guarantee for them, that while it will not approve securities unless it believes the property will have a fair chance of business success, yet it does not thereby guarantee the project as a safe one. Suppose, however, the question is not one of a safe business project, but simply of the amount of earnings to be permitted. Then is the approval of the securities by the commission to carry no assurance whatever to the investor? The United States Supreme Court, in the Consolidated Gas Case, refused to permit the rate for gas in New York City to be lowered beyond the point where a fair return was assured upon all the capitalization which had been previously indirectly authorized by an act of the state legislature. Although the question was not directly an issue in this case, yet the logic of this decision would seem to point to the establishment of the principle that authorization of stocks and bonds by the State establishes capitalization upon which a return must be permitted. There is little doubt in my mind but that such a principle would meet with public approval; for the purpose of public regulation of securities is presumed to be to confine the capitalization to a reasonable amount. Now if a commission has accomplished this purpose and investors have purchased securities with the assurance that the amounts approved represent a reasonable capitalization, a great public protest would

ensue if such investors were later refused a fair return upon such securities by the commission.

If this principle is to become established, it will mean a radical change in our theory of rate making, and many other complications. It will mean, in the case of plants which have come into existence under the present régime of regulation, the substitution of original cost as the basis for rate making in the place of present or reproductive value; that is, presuming that the securities approved represent the real cost of the property. In the case of utilities which were in existence before the present régime of regulation, the situation will be much more complicated. Considerable of the early securities issued by such companies represents water, but later securities, issued under regulation, represent bona fide investments. Shall the company be permitted a return upon its heavy overcapitalization simply in order that the purchasers of recent securities authorized by the state shall get a fair return upon their securities? Furthermore, the laws in practically all the states permit the refunding of securities under the supervision of the commissions. The old securities to be refunded may represent water, but, when they are refunded, they become securities issued with the approval of the state. Does this mean that thereby a return upon them is made sure?

Two ways out of these difficulties are suggested. It is proposed that the state laws should stipulate that the state does not become obligated to permit a return upon securities simply because it has authorized them. This measure, while it would eliminate the difficulties, would, I believe, appeal to the public as unjust, and would, therefore, fail of passage. The other proposal, that is, that of issuing stocks without definite monetary value, is also open to grave objections. But, certainly, before this process of state authorization of securities is carried much farther, it is highly desirable that we should know what is to be the future status of these securities, in the hands of the investors, which bear the stamp of public approval and authorization.

HOWARD C. HOPSON: A previous speaker has stated that there is a possibility that the public service commissions of the various states in granting authorities to issue securities will, by so doing, validate those securities so that they will in subsequent rate proceedings have to be recognized at full value. I am of the opinion that this is not correct. In some of the states, California,

for example, the law specifically provides that the issuance of securities is a privilege given by the state to its own creation, namely, a corporation engaged in furnishing service to the public, and the authorization by the commission shall not be binding in any subsequent proceeding having to do with rates or service. Similarly, the decisions of public service commissions in other states, of which the upstate commission in New York (with which I am connected) is an example, have specifically stated that the authorization of the securities by the commission is in no sense of the word a guarantee that such securities will pay to their holders a satisfactory return. Requiring these corporations to secure authority from the commissions is to prevent the issuance of more securities than are necessary and to make certain that when such securities are sold their proceeds are actually invested for the benefit of the company engaged in serving the public.

Financing is of secondary and indirect importance to the general public. It was placed under the control of the commissions in order that the public interest might be assured with reference to two matters which are of primary and direct importance, namely, service and rates. It has from the beginning been the opinion of the New York commissions that service is the more important and has a more direct bearing upon the general prosperity and well being. The regulation of public utility corporations, however, in the minds of most people is most closely associated with rates. When discussing rates the principal bone of contention, as is evidenced by the paper which has just been read, is the basis for determining the return on capital in the business.

In the early discussion of this subject it was uniformly assumed, so far as I can recollect, that the proper basis of computing this return was the amount of capital that was actually invested. Due to the fact, however, that this discussion centered principally around railroads involving a very large amount of property of diverse character, spread over a wide area, it was, without a great deal of investigation, assumed to be impossible to ascertain the actual investment or original cost and, as the nearest thing to it, and merely as a substitute, there came to be used the so-called estimate of value which is now definitely referred to as the "cost of reproduction" or "duplication cost." This is so generally used and has been before the courts so frequently that it is now assumed by many persons to have been judicially determined upon as the only proper method of arriving at the amount of capital in

use, and that original cost, even if definitely known, is not acceptable nor useful.

I am, however, not aware of any case which has been before the highest court in which the question was squarely presented as to whether original cost or cost of reproduction should be used. In connection with recent investigations of railroads as well as of public utility properties, it is clear that it is, if anything, less difficult to ascertain the original cost of the physical property used in the public service than to arrive at a satisfactory estimate of cost of duplication,—which is not usually much of an improvement over a mere guess. There can be no doubt that a decision which will be uniformly satisfactory to the public, which is not and cannot be informed as to the technical details, and to the holders of the securities, will be much more likely to give satisfaction if the return on capital is based upon the cash cost of the facilities which are used in the existing business.

One of the fundamental difficulties with current theories and discussions of rate questions, which occurs in opinions by commissions and courts as well as in academic papers, is the assumption that an all embracing mathematical formula can be evolved if a sufficiently thorough and exhaustive study is made, and after that it will only be necessary to insert in this formula the proper factors, such as reasonable operating expenses, fair rate of return, amount of capital upon which a return is to be allowed, and, *ipso facto*, the proper rate will be derived. The trouble with this assumption is that not all of the factors which are used in making rates are susceptible of mathematical correlation. The element of judgment is involved in this as well as in most other mundane problems, and a reasonably satisfactory, just, and correct decision can only be reached when this judgment is expressed by candid men properly qualified to deal with the subject. In other words, we again return to the question of personnel. How are we to get on the commissions men of sufficient caliber to deal with these questions in a broad and intelligent manner?

In conclusion I wish to reiterate that the question of service is much more important to the community at large than that of rates. Many rate litigations which have cost large sums of money have resulted in only trifling reductions to any particular individuals. If the same amount of effort had been devoted to extensions and improvements of service the reward to the whole community for the expenditure of energy and money would have

been many times greater. If the present tendency continues of rising prices and decreasing purchasing power of the dollar, in a few years the country will be face to face with the problem of securing maximum service without considerable increases in the present rates.

J. G. OHSOL: The number of difficulties indicated here has not been exhausted yet. Our public service commissions have been considering the investors and the consumers only. They have overlooked the most important third element,—labor. "Rates" and "service" were mentioned here as the basic elements in any public utility. But what else is service than so many hours of labor? Do not rates depend on wages paid to laborers engaged in these utilities? Hence labor must be considered in every policy adopted or advocated in regard to public utilities.

The fixing of *railway rates*, for instance, will inevitably bring up the problem of controlling and eventually of manufacturing the railway *rails*, also the compulsory arbitration of *wages*. The railroads are not yet under government ownership, but the arbitration of the wages of railroad men has already begun under the Newland act. It is not compulsory yet, though it may become so in time.

But the interests of organized labor are opposed to such compulsory arbitration. Only a month ago the Seattle convention of the American Federation of Labor declared itself against compulsory arbitration. Organized labor has taken this stand quite correctly. It believes that it can still get better conditions when dealing directly with the employers than through arbitration commissions in which organized labor is always in the minority.

In discussing public ownership we should bear in mind that the main issue will be *how we are going to get it*. For the present moment it is likely to be *government ownership* in some of the industries, say telegraphs. But are we going to pay some nine hundred million dollars to one company alone for an outworn equipment? This question will resolve itself into another one: can the government start competitive enterprises to oust some private monopolies or will it buy out the existing ones at an enormous expense?

And here again the status of labor must be considered. As soon as railroads, for instance, come under government ownership the federal eight hour law must automatically apply to every rail-

road man. At the present moment even the sixteen-hour-maximum law is violated by the railroads in hundreds of thousands of cases. This state of affairs cannot continue unchanged. The solution of the problem of public ownership cannot be brought about by scientific discussion. The conflicting interests involved in it can be settled only after a sharp struggle.

CERTAIN CONSIDERATIONS IN RAILWAY RATE MAKING

By BALTHASAR H. MEYER

Of the Interstate Commerce Commission

It is my practice to preface remarks on occasions like this with the statement that I appear in a personal and unofficial capacity. No one who may be interested in proceedings pending, or which may hereafter be instituted, before the Commission of which I am a member, need have apprehensions that views and opinions expressed in this paper in any respect prejudice different views or opinions which he may wish to urge before the Commission, so far as I am concerned; and, of course, my colleagues on the Commission are not speaking through me on the present occasion.

Back In the Seminary Room.

I shall imagine myself back in the economics seminary room to open a general discussion on the subject of the making of railway rates. I shall, however, impose upon myself one restriction which the economic seminary is not always obligated to observe. This discussion will be directed in the light of existing laws and judicial interpretations and it will be founded upon the contemporary organization of society. I make this statement seriously, for I believe that it is well worth while for a properly conducted seminary in political economy to assume that certain constitutional and statutory restrictions, which may appear to stand in the way of what from a strict economic point of view seems desirable, should be removed for purposes of specific discussions, and an economic analysis made of the effect on human welfare of certain lines of action which could be pursued if these obstacles were not in the way. I regard this as a proper and efficient method of working out certain economic ideals and aims, which at some time in the future it may be possible to advance to the point of realization, and which, meanwhile, serve the stimulating purpose of hovering low in the horizon of the aspiring and patriotic young economist. The farther I get away from the class room, the more I am impressed with the value and possibilities of scientific economic instruction and research, conducted in a spirit of freedom and in the wholesome atmosphere of right-mindedness, in strict subordination to scientific method as applied to human welfare, with

absolute independence and fearlessness and proper consciousness of the limitations inherent in such work. Perhaps even more than in other fields of study, in economics the silent partner is a curse and a prejudice to humanity.

Limitations of this Paper.

I ask you also to please observe the restrictions suggested by the title of this paper. Every member of the association realizes the futility of attempting to hold up to view in a single discussion all considerations which enter into the making of rates. One may hope to succeed in calling attention to a few. There are those, possibly not among the membership of this body, who either have themselves or want others to get for them a definite and fixed standard of measuring a railway rate just as a tailor measures a piece of cloth. I, too, would like to have the yardstick if only I knew how and where to get it. I shall hope to be able to contribute a few constituents which must enter into the making of an approximate standard, at least a partial realization of which conditions of today permit. I must disappoint you, however, if you expect me to deliver it ready-made on this occasion.

Aim at Approximate Rate Standard.

Nevertheless, I believe it is possible to approximate a standard in rate making much more than has been done in this country in the past, but the kaleidoscopic nature of the facts which enter into a particular rate problem will probably always defeat every attempt to impose a uniform rate rule upon the traffic of today throughout the United States. Were we standing at the threshold of the industrial epoch which brought the railway and modern manufactures, with none of the industrial relations of the contemporary structure of society established, a very different problem, and, consequently, also a very different solution, would be presented. The standard which I expect to see develop more rapidly in the future than in the past is a certain approximate standard applicable to normal or typical conditions from which variations will be made in the light of the concrete facts in each particular case.

The Rate Problem Perpetual.

This is not the first time that the Economic Association has devoted a part of its meeting to a discussion of railway questions,

as an examination of past programs will attest. In all probability, it will not be the last, for the question of railway rates embraces elements which are perpetual and which doubtless inhere in every industrial society which employs the railway as one of its instrumentalities. As long as rival individuals engage in trade, offering the same or competing commodities, placed upon the market by competing producers and sought by rival consumers, and any or all of these believe transportation charges to be excessive or discriminatory, the railway rate problem will continue to exist. The present system of private ownership and systems of regulation may give way to different systems of regulation, and these in turn may be superseded by a system of public ownership; but none of these will terminate rate controversies. Changes in ownership and systems of regulation and administration may eliminate some rate questions; they will with certainty originate others, and the rule or rules which suggest just settlements today may have to give way to other rules which the conditions of the future may require. The doctrine of relativity applies also to transportation.

Railway Rates and Import Duties.

In dealing with railway rates we come in contact with nationwide interests and forces, and, indirectly, and perhaps involuntarily, also with international forces. Under the law our appointed jurisdiction in the United States may stop with ocean, gulf and the 49th parallel; the economic effect of our action often goes far beyond. Considerations of this kind have led those foreign countries in which the railways are publicly owned to view their respective industrial policies as a united whole, of which the railway is a part. The administration of the railway is there made an instrument in shaping commercial policy. Railway rates and customs duties are frequently treated together, and rate-making is conducted in harmony with the customs policy of the country. In the United States, customs duties and railway rates have as a matter of law always been strictly divorced. Whether railways will be permitted in the future through the rates of transportation which they prescribe to augment or diminish the rate of import duty imposed by the federal government, only the future can reveal. It will probably depend upon the wisdom and discretion with which the power of making railway rates will be exercised in this respect.

Comparative Rates.

It has long been customary to establish rates in the light of certain checks and comparisons. This has apparently been done on the theory that if numerous other rates can be cited which are applicable on the same or similar traffic, under substantially similar circumstances and conditions, a rate in harmony with such illustrations is likely to be just and reasonable. Comparisons of this kind when restricted to small areas, such as a single state, are rarely satisfactory, but when they extend over a number of states, or embrace the entire United States, including numerous rates which are the result of competition between carriers, water and rail, while not necessarily determinative, are, nevertheless, of sufficient interest and value to command respectful consideration if not confidence. In the absence of better measures and checks this is one of the most useful expedients. Its intrinsic value depends, of course, upon the manner in which the rates drawn into the comparison have been selected, and the influences and forces which united in originally establishing them.

Competition in Rate Making.

This suggests the element of competition as one of the considerations in the making of railway rates. The members of the Economic Association are so thoroughly familiar with the general aspects of this feature of our problem that I shall not devote any time to it. There are survivals of the competitive rate, but the merest novice in the railway history of the leading countries of the world knows that competition alone has nowhere permanently secured to the public reasonably adequate service at reasonable rates, and that in consequence practically the world over the competitive theory of railway rate making has been abandoned. Where it does bring benefits to the public, competition is capable of producing better results than the best regulation. To what extent competition survives in railway rates or service today and what benefit the public may derive from it, lies outside of the scope of this paper.

Valuation and Securities.

Perhaps the most important single factor, now unknown, which will enter into the consideration of railway rates in the future is that of the value of the property. Theoretically, it has long been considered by commissions and courts, but in practice its appli-

cation has been limited to isolated valuations or partial valuations made under different, if not mutually exclusive methods, varying in degree of thoroughness and applied almost exclusively to meet allegations of confiscation of property. In the not distant future we may hope to know what the fair value or final value of our railway properties is, whatever these terms may be made to include. In the past attempt has been made to appeal to the volume and market value of outstanding securities with the view of having them considered as evidence of value to support a rate or rate structure under attack. In the future, after the valuations have been made, similar appeals can have little weight. Once the value of railway property has been officially established, and power to regulate service and rates coextensive with the railway business lodged with competent administrative authority, the issuance of securities by railway corporations becomes a question of public morals. The public eye should be directed toward the value of railway property as determined under the valuation statute rather than to the market value, face value, and number of pieces of paper which may have been circulated to represent the property. If there are people who prefer many pieces of paper, each with a smaller value, to fewer pieces of paper, each with a larger value, we may well permit them to gratify their whim, provided no burden is thereby imposed upon the rate paying public. As a matter of good morals we should prohibit as far as possible and make difficult the circulation of bad securities. We should legislate against the exploitation of the indiscriminating public when its speculative traits are appealed to, but under no circumstances should we recognize these engraved pieces of paper as the equivalent of property in the making of railway rates or, perchance, validate them through ill advised stock and bond legislation. The country urgently needs stock and bond legislation; but it will be better to have none than accept much of what is being proposed. What consideration, if any, should be given to securities issued in the past by railway companies in the valuation required to be made under the valuation act, is a matter which I cannot discuss with propriety at this time, and regarding which I shall express no opinion; nor should anything which I have said herein be construed as an intimation of what I believe the final conclusion upon this question ought to be. But what I am free to say is that, the task of valuation having been accomplished, outstanding securities against the valued property should not receive the least con-

sideration in the establishment of rates to be collected for the public use of that property. As suggested before, with adequate legal provisions and effective administration covering value of the property, service, and rates, the public has no interest in railway securities except as a matter of morals. These moral purposes should be promoted and achieved to the fullest extent possible through legislation, but great care must be exercised lest this legislation may by inadvertence or design make the value of securities a basis for rates with the possible consequence of imposing untold and utterly needless financial burdens upon the present and future generations of rate payers.

Cost of the Service.

A second factor equally fundamental with the value-of-the-property factor, which I believe will be employed very much more in the future, is that of the cost of the service. A great variety of statistical analyses have heretofore been made, but systematic efforts directed toward the ascertainment of the approximate cost of the service have, generally speaking, been strangely neglected. A small minority among those dealing with rate problems have long advocated it, but their plans have been thwarted by the skepticism and unwillingness of a persistent majority. There are those who have opposed the development of statistical investigations along the lines of cost because they assert the results are bound to be misleading and unreliable. Others confess a fear that information of that kind will be misused. Others declare that it will result in the establishment of rigid distance tariffs, with attendant chaos in the industrial world. Still others maintain the view that the cost of the service has nothing to do with the rate either in general or in particular. The combined weight and influence of all these objectors has thus far been sufficient to obstruct substantial progress.

Growth of Cost Accounting.

It is a fact of common knowledge that so-called cost accounting has been applied to every important branch of industry except steam railway transportation. A prolific literature upon the subject has been produced within the last decade, and competent specialists in all branches of business are prepared to give these principles practical application. The railways themselves have made limited application of the principles of cost accounting to

more than one half of the railway mileage in the United States. They declare, however, that this has been done for internal corporate administrative purposes rather than with a view of assisting in the establishment of just and reasonable rates. The difficulties of separating operating expenses among the various branches of the railway business are as apparent as the benefits of the final results are clear to those who are willing to undertake the task. It is perfectly obvious that controversy respecting the apportionment of maintenance-of-way items, for instance, can never end. Is this, however, sufficient reason for refraining from undertaking a work which is so promising in beneficial results? There exists surprising similarity in the methods employed by different railway companies in apportioning certain common or overhead expenses. This similarity appears to have been brought about without previous conference and agreement and is apparently the result of similar conclusions arrived at by men working at the same problem independently of one another. However, I am not suggesting that methods and rules which are now found to be common to several railway accounting departments are necessarily those which commissions should accept or prescribe. If cost accounting is not to be applied to railway transportation until every refinement has been settled by unanimous consent of the accountants, we shall never get anywhere. Institutional reforms are rarely effected from within and the railway is no exception. If such a rule were to be applied to the assessment and collection of taxes the government of every civilized country in the world would be obliged to cease its activities for want of revenue.

Practical Applications.

A new system of express rates is about to be put into effect throughout the United States. It inaugurates a revolution in the conduct of the express business. It is a carefully considered experiment, the exact outcome of which no one can predict with full confidence. How will anyone be able to draw a conclusion at the expiration of a definite period of time regarding the financial results of the operation of the express companies without approximating a segregation of the expenses incurred by the railroads on account of the express business? Railway mail pay is the object of periodical controversy. Does not that involve essentially the same fundamental accounting questions? Passenger rates are an

issue in different states in various parts of the country. How can these controversies be properly and justly settled without some reference to the cost of conducting the passenger business? One might suppose that the railways in this country would fairly vie with one another in producing the most scientific cost data in regard to their respective operations which the best talent can compile. With a few conspicuous exceptions, the exact contrary is the fact.

Joint Costs, Economy and Efficiency.

Before I leave the subject of cost of service kindly permit me to remind you of the impossibility of commenting upon such extremely important phases of the issues as are suggested by the words "by-products" and "joint costs," which have been so ably treated by distinguished members of this association. I must deny myself the pleasure of reviewing their work.

Furthermore, I have commented upon the cost of service as a consideration in rate making only. This entire paper might advantageously have been devoted to railway cost accounting as a test of efficiency and economy in operation; and after it has been ascertained what it actually costs to operate a railroad, a further inquiry into what it should cost to operate may profitably be instituted.

Controversy an Old One.

This whole controversy regarding the cost of the service is as old as the railway itself. Any method of separating expenses which may be adopted will at best leave much room for honest differences of opinion and the employment of varying, arbitrary factors. To my mind this situation resolves itself ultimately into the fundamental proposition that cost, being one of the elements to be considered in testing the reasonableness of a rate, must be ascertained as accurately as the nature of the problem will permit, otherwise it can not be considered. How can anyone give consideration to costs unless he knows what they are? Concluding that we must arrive at costs, it devolves upon reasonable men to elaborate workable rules and methods and employ the results with a full consciousness of their limitations. After the value of the property has been established, the cost of conducting the business approximated, and the value of the service considered, there will still remain a wide zone within which to exercise "the flexible limits of judgment."

Public Policy.

This leads me to remark briefly regarding a third fundamental factor which is influential in locating the point representing the rate within the zone of reasonableness, namely, that of public policy. The only public policy which the administrative branch of the government can officially know is the policy declared by the legislative branch through its statutory enactments. Legislatures set up the standards in accordance with which administrative bodies must measure rates; and regulative statutes generally leave ample room for the exercise of wise discretion. The public policy thus prescribed is expressed in most general terms, leaving the detailed applications to administrative action and judgment. It is not this kind of policy which, if my impressions are correct, people have in mind when they assert that the making of railway rates has nothing to do with the cost of the service, but that it is entirely a matter of public policy. I think that generally this statement emanates from the idea that rates are to be established at any particular time solely in the light of the available surplus of the railway corporation upon which the rate is to be imposed and the judgment or feeling of the rate maker regarding the real or supposed needs of different patrons or classes of patrons. If this is the proper basis for the making of rates the statistical analyses to which I have referred above are superfluous and should not be undertaken. All that is necessary under the operations of that kind of a public-policy-system of rate making is a balance sheet and an eye on the next election. It is ascertained how much money the railway company can spare according to its balance sheet, and then it is a matter of "policy" who shall get the benefit of the reduction or bear the burden of an advance.

Rates in Politics.

Nor is such a theory and practice of rate making without merit. An organization of society is conceivable in which it would be the very best system. It would be a perfect fit in an ideal society constructed upon this theory. In a patriarchal organization or society it might be the only proper system, for the patriarch would be presumed to know from whom to take and to whom to give. Our present organization does not represent this type of society. An attempt to impose such a theory upon a democratic organization of society must inevitably result in throwing the entire question of railway rates into politics. It will then be largely, if not en-

tirely, a question of clamor as to whether passengers shall ride at the expense of freight, whether wheat shall have the preference over cotton, live stock over lumber, coal over ore, vegetables over fruit, sugar over potatoes, rice over corn, etc. Obviously under such a system the available surplus will be dispersed—perhaps I should say, disbursed—in the direction of the loudest clamor and the largest vote. In a country like Prussia with its magnificent administrative traditions and machinery and far-sighted commercial and traffic statesmanship, an application of the patriarchal principle seems more readily conceivable, but even there rates are not made in just that way. While under a system of state ownership like the Prussian, public policy in any proper sense of the term may exert itself more directly and more liberally, this policy is certain to meet shipwreck anywhere if it does not embrace approximations of standards with which to test that policy from the point of view of railway operation. In other words, public policy is a framework, a background, interpretive in character, which should act as a guide in the application of more definite working rules in rate making.

Directing Rate Development.

There have been developed in the United States systems of rates with blankets covering two-thirds of the entire continent. Attempts have been made to break up these vast blankets, against which both common sense and reason instinctively rebel. But what is the standard toward which this breaking-up process is to be directed? Inordinately large groups have come into existence. If these are to be modified, by what measure is it to be done? The equalization theory of establishing rates for basal industries has been condemned. Along what lines are the new rates to be developed? The work of transforming these and other similarly indefensible features of rate making of the past to which reference has just been made all point in the direction of greater consideration for distance in future rate making. Transportation overcomes distance. Distance means expense. Shall distance have no weight in the establishment of the charge for that transportation? While no one who is at all familiar with the rates now in effect throughout the United States could for a moment reasonably consider the rigid application of a distance tariff to all traffic, it is equally apparent that many peculiarly knotty complications and controversies have already been settled through the application of a distance tariff, and that many more await a similar treatment in

the future. This being so, we find herein still another urgent reason for aggressively pushing investigations into the cost of the service.

Other Considerations.

The time limits wisely imposed by the Economic Association upon papers of this kind permit of reference only, without discussion, to the relation of freight rates to the classification of freight. The so-called elements of classification have been enumerated and discussed in numerous decisions readily available to all. From the standpoint of cost of service, classification resolves itself largely into ascertaining transportation costs and insurance risks. Instead of emphasizing volume of the traffic, it lays stress upon the balance of the volume of traffic in opposite directions. It inquires persistently into the utilization of car space and demands upon terminal facilities and generally acts as a unifying agent along defensible lines in the slow movement towards a uniform classification.

Value of the Service.

That indefinite term "value of the service" must also be separately named. "Classification" and "public policy" absorb the most of its content and "what the traffic will bear" may act as residual claimant. Those who are to follow me may attempt answers to questions relating to the value of the service, to whom? for whom? for what?

Why a Rate Yard-Stick can not be Delivered.

If I have succeeded in pointing out "certain considerations in railway rate making," they are the value of the property implying a fair return thereon, the cost of the service, and a sound public policy, each to be applied and interpreted in the light of the others and of all proper considerations whatsoever, through the exercise of a wise discretion in arriving at a judgment with respect to a particular statement of fact. The value of the property may be expressed in dollars in advance of any rate controversy. The rate of return may conceivably be established by fixed rules. The cost of the service may be approximated for any period of time and as of any date. Public policy may be outlined in general and specific language in legislative acts without reference to particular disputes. All the other considerations in rate making may

be indexed and catalogued for handy reference. But no one can state in advance the specific facts in a rate problem or controversy and the attendant circumstances and conditions. A certain combination of facts may require the application of a certain standard. A combination of facts similar to these but in different proportions may require a somewhat different standard. Instead of searching for one standard a set of standards may be sought, and that standard or combination of standards employed in each particular case which is best adapted to promote justice to all parties in interest. It is more important that justice shall be achieved in a large way than that some specific standard shall be promulgated and adhered to under all circumstances. That is why I cannot give you a universal rate yardstick but must content myself with directing attention to a few of its fundamental components.

The discussion having been opened, I now withdraw very reluctantly from the congenial atmosphere of the seminary in political economy.

RAILWAY RATE MAKING: DISCUSSION

JOSEPH SCHUMPETER: The contributions which science has to offer as to the subject in hand are reliable and substantial, largely through the work done by American economists, but they seem to consist more in elucidating principles than in prescribing rules for practical action. We have a body of results on which we all agree more or less and which leaves no room for some of the controversies which agitate the popular mind. The making of a railroad tariff is simply a special case of price-fixation in general, in which certain well-known features are more prominent than in other businesses, though they are present everywhere in the industrial field. We understand, for instance, why monopoly gains, which in other businesses are surpluses over what is necessary to call forth the requisite supply, should be necessary elements, to a certain extent, of the normal remuneration of railroad capital; which, once understood, does away with lots of popular prejudices, especially those in favor of a rigid distance tariff. We know that a railroad board in charging "what the traffic will bear" is really only trying to find out the slopes of demand curves experimentally, and why it is that they do not find so safe a practical guide in cost as other business men do, though ultimately cost plays much the same role in this as in other fields. If we pay proper attention to the theory of limited or imperfect competition and that of joint cost, and if we try to work out demand schedules for railroad services on the one hand, and to perfect cost accounting on the other, we shall finally be able to treat concrete cases and to render some practical service to the business man. But there seems to be less prospect of getting new light by an evaluation of the property of a railroad. For, if we take the original cost of getting it or its value for other uses, neither of these two sums would have any bearing on the problem. If we take the value of the different items as parts of a going concern, their value will entirely depend on the earnings, to which they contribute, and therefore not tell us much about whether these are high or low.'

It is a pity that the principles of tariff making should be so little understood by the public at large. As it is, we are confronted with popular opinions which probably will have their way. This makes it difficult, for instance, to fight by legislative or administrative measures precisely those kinds of discrimination that are dictated not by the interest of the roads as such, but by the

business interests with which they may be allied and still leave alone those cases of discrimination, which are as essential for the roads as are the wheels of their cars. It also makes it difficult to confine government influence on tariffs to those important if not too frequent cases in which a great benefit to customers can be conferred at small expense to the roads. Although the system of private ownership and management of railroads combined with state control is probably the most satisfactory yet hit upon, it seems a timely thing to sound a note of warning. Even the most necessary amount of control tends to fossilize the existing railroads and to slow down the rate of progress. And whatever complaints there may be about the tariff policy of the roads, the public should not be allowed to lose sight of the fact that, partly at least, they owe to it the most splendid railroad system and the most efficient service the world has seen so far.

ALLEN A. YOUNG: I am deeply impressed by the fact that Commissioner Meyer has come through nine years of discipline in handling actual rate cases with what seem to be a strengthened conviction that while there is no single "yardstick" by which to measure the reasonableness of rates, yet there are, nevertheless, a few principles of rate regulation that are of fundamental importance.

I suspect that in these days many of us would subscribe to the creed that the amount of the investment, the cost of the service, and public policy are the fundamental things in rate control. But it is a rather humiliating thing for us to have to confess that in so doing we merely follow the lead of the commissions and courts and of men active in public life. Until recent years orthodox rate theory has been little more than an exposition of actual rate practices and an apology for them.

The thesis in Commissioner Meyer's paper about which difference of opinion is most likely is that the cost of each particular railway service should be ascertained as accurately as possible and should be utilized as one of the fundamental factors of rate making. It is this thesis which I wish to discuss, and I shall limit myself to a review of the grounds on which some of those who believe in the soundness of the cost principle rest their case.

I believe that the case rests upon the same fundamental principles as does the case for free trade. It is a false *laissez-faire* that would permit the railroad to lay down the rules of the game;

to make or unmake the prosperity of one region or another; or even to equalize the productive or commercial disadvantages of different cities or different sections of the country. A true *laissez-faire* would endeavour to so utilize a rigid control of railway rates as to secure the advantages of a broader competition in the industrial field, and especially to secure the economies that are bound up with the law of comparative costs.

To make the point clear, assume, for a moment, that all transportation costs are separable or variable costs; that is, that all the items of transportation expense vary with the traffic, so that every added ton mile of traffic increases the total expense by a constant amount. That under these conditions, particular considerations of public policy aside, rates should be based on costs does not seem to me to be even a debatable question. Rates proportioned to costs would secure the most advantageous distribution of industrial undertakings. They would lead, not necessarily to a minimum of transportation but to a minimum of aggregate productive and distributive costs for a given national dividend. It is true that certain writers, most recently Professor Edgeworth and Professor Pigou, have tried to show that under conditions hardly realizable in practice certain particular sorts of rate discrimination might possibly be more advantageous, economically speaking, than rates based on cost. I haven't the time to traverse that argument, nor is it necessary in order to prove the cost system superior to any sort of discriminatory rates which could possibly be put into actual practice. With all railroad costs variable costs, the cost principle of rates becomes, I think, generally conceded.

Imagine, now, that all transportation costs are fixed costs; that an indefinite increase of traffic would not increase in any way the aggregate expenditures of the railroads. That is, railway plant and equipment and all operating expenses would be *given factors*. It could easily be shown, of course, that under such conditions a discriminating rate system, based on what the traffic would bear, would be the most advantageous.

Now the facts as to railway expenditures involve elements that are found in both these extreme cases, although I am inclined to think that the first of these two imaginary conditions is somewhat nearer to actual conditions than is the second.

"But," say the opponents of the cost principle, "surely you will acknowledge that because railroad costs are in part fixed and

established it is not only good business but it is also socially desirable that the railroad should take on traffic which would not move at higher rates, so long as the rates cover the additional costs actually created by the traffic in question?" To this I should reply that this theory, with its implicit justification of "charging what the traffic will bear," assumes a static view of the facts; it postulates that a large part of our railway plant and equipment is a given quantum, more than ample for present transportation needs.

But, as Dr. Lorenz and others have shown, when we take a longer period of time into view,—and surely economic policies should be based on long time considerations,—when we take into account our increasing population and wealth and transportation needs, we see that not only the cost of conducting transportation but maintenance costs and fixed charges too are increasing, and one item about as fast as another. From the long-time, social, point of view, fixed charges are apt to be variable charges.

Take, for example, the case of a railroad which finds that coal along its line can be profitably mined and sent to market if the rate is made high enough to cover the cost of conducting transportation and possibly to contribute its proper share to maintenance, but not high enough to contribute an appreciable amount towards fixed charges. Such a rate is made; coal traffic is created; this coal traffic increases; other sorts of traffic increase; the single track becomes congested; ton mile costs increase; then the road issues more bonds and builds a second track. A new burden of fixed charges has been caused by the increasing traffic, and the coal traffic is just as much responsible for the increased fixed charges as is any other sort of traffic. In short, this new burden of fixed charges has been created in large part on account of traffic which contributes little or nothing toward fixed charges.

I do not think this is an extreme case; at any rate it illustrates the point. We have sometimes made the mistake of looking for a direct physical or technical connection between traffic and costs rather than a causal relation. In the allocation of maintenance costs between freight and passenger service, for example, it may sometimes be proper to go beyond the responsibility for physical wear and tear to ask which sort of traffic sets the standard of maintenance on a particular road.

I do not mean to say that the cost principle will solve all questions of classification and of rate making. There are many rail-

roads on which we have no reason to expect such a growth of traffic as will lead to new capital expenditures; on such roads the principle of charging what the traffic will bear is, within limits, justified. So also for a large class of considerations, of which the case where the natural balance of the traffic is in one direction or the other is typical. Then, when a number of roads serve the same through points, the cost standards to be used are those of the strongest and most efficient roads. The weak roads will have to be permitted to meet the rates set by the standards of the best. Again, there are those various considerations of public policy which Commissioner Meyer has characterized so clearly.

And, finally, there is the fact that the gradual modification of our existing rate system presents a problem even more complicated and difficult than that of the gradual reduction of a highly protective tariff. The nice adjustment of advantages, the balancing of competing interests, is the most characteristic feature of the existing rate system. If the cost principle is to be consistently introduced, all this delicately balanced system must be disturbed. The task is made somewhat easier, I think, by the fact that the wholesale and jobbing interests, which are of all business interests most sensitive to rate conditions, do not usually involve either a large investment of fixed capital or a large employment of labor, and may be gradually shifted in response to changing rate systems without serious shock.

I have taken account only of the general economic basis of rate making. A number of practical considerations also point in the same directions. I can mention only two:

1. There seems to be no question but that under existing tendencies of regulation, cost (that is, aggregate cost, including a fair return upon the investment) will be taken as a measure of the justness of the general level of rates,—that is, of average rates. Moreover, under present judicial interpretations of the Fifth and Fourteenth Amendments, cost sets a limit beyond which important classes of rates cannot be forced by public control. You can't have an average where all of the important items are either above or at the average. In short, under present judicial decisions any other basis of rates than cost is inconsistent with the control of the general level of rates.

2. Unless the powers of the Interstate Commerce Commission are so increased as to take away from the individual states the power of virtually determining interstate rates, conferred upon

them in the Minnesota rate decision, there must be some fundamental standard of rate making if we are to have any but a chaotic system of rates. A system of cost allocation, worked out by the Interstate Commerce Commission and approved by the Supreme Court, would become of necessity a uniform standard for both federal and state rate control, and would lead to eventual harmony in rate systems, even under a divided system of control.

In conclusion let me make it clear that I am not claiming that the cost-of-service principle should be used as the invariable yardstick of rate making. But neither should it be counted only as one among a myriad of factors affecting rates. It is, in my opinion, properly to be regarded as a first principle of rate making, departure from which is to be justified only by the special circumstances of the individual case.

ERNEST R. DEWSNUP: If the production of the services of railway transportation were carried on under conditions of perfect competition, mobility of capital and labor being complete, there being no deterring factor of limitation of land; if the various services of such transport were, in the essence of their production, disjunctive, not conjunctive, the normal price of each service would be determined by its normal cost of production. Under the accepted theory, the prices thus realized would contribute a maximum amount to the national dividend. If our hypothesis typified actual conditions accurately the problem of the governmental regulation of railway rates would be much simplified. As Dr. Meyer remarks in his paper, competition is capable of producing better results than the best regulation.

But limitation of land, monopolistic restrictions, intervene. Still, it might be argued, maximum advantage would be secured by a method of regulation that would bring about an adjustment of rates to costs as they would be under conditions of perfect competition. But a practical difficulty appears. As Edgeworth has urged, if freely competitive conditions do not exist, and cannot be made to exist, how are we to determine the cost of production that would have been associated with competitive freedom? And can we assume that rate regulation based upon the actual costs, if ascertainable, will consummate maximum advantage? Even Pigou admits that "anything in the nature of exact imitation of simple competition is almost impossible to attain". Grant that the difficulty is a technical one, nevertheless it inter-

feres materially with the hope of satisfactory regulation based upon the theory of price as it applies under conditions of perfect competition.

A further consideration has to be borne in mind. No longer retaining the hypothesis of complete mobility of capital and perfect competition, it is possible to argue, perhaps, that a railway which could not be made to pay at non-discriminating prices based on cost of production should not be built at all,—that the investment of the capital would be better applied elsewhere. Assume that discriminatory prices were prevented for a period of considerable length by effectively enforced statutes, the mere presence of the railway and its facilities, though operated at a current loss, might readily bring about an industrial development ultimately capable of contributing to the national dividend an amount more than compensating the loss incurred during the period of development. Only on the theory that the economic territory of a railway operating under non-discriminating rates would not and could not secure a future development sufficient to compensate the temporary loss could one agree as to the economic undesirability of such a railway.

If it is possible then that the non-discriminating railway might bring about economic benefit even under these restrictive conditions, is it not to be granted that such benefit will be all the greater if, during the period of development, the railway could be made to pay its way with the aid of a discriminating tariff?

Such a consideration may be of no ultimate significance, but there can be little doubt that for many years to come it will continue to be of great practical importance to most of the roads in both the East and West of this country.

Actually, the railways of very few countries, if indeed, of any, can be regarded as pure monopolies. Certain monopolistic elements enter into their position as producers and sellers, variant in degree with the particular economic environment of individual railways. But that competition also enters in, it is absurd to deny. It may be that, in cases, the direct competition of territorially adjacent lines is not now conspicuous, though it is not altogether dead, but there are but few instances in which the indirect, perhaps less conspicuous, but nevertheless mighty force of regional competition, ramifying in all directions, stretching out even into the recesses of so-called local traffic, does not exercise a powerful influence. In so far as limited monopoly is the only conceivable

régime under any actual conditions, whether private or public administration of railway operation happens to be the method of management, it would seem that principles of rate regulation based upon the concept that maximum advantage is secured under complete monopoly by such adjustment of price to the cost of production as would result under perfect competition can hardly be relied upon as certain guides. Indeed, in spite of theoretical acceptance of Pigou's thesis, Edgeworth feels himself forced to the conclusion that, under the actual conditions of limited monopoly, discrimination, accompanied by a moderate regulative control, is likely to be better both for the customer and the monopolist than monopoly forbidden to discriminate.

But, after all, are varying rates simply the result of the exercise of the discriminating powers of monopoly? For the purposes of theoretical discussion, it is doubtless unnecessary to consider the effects of joint cost when, as with Edgeworth, a theory of monopoly, or, to be more precise, of restricted monopoly, can be made to harmonize such discriminations with general advantage. Yet it is as well to remind those who fear such statements with regard to monopolistic price making that if monopoly were not effective the presence of joint cost would favor price or rate discrimination; that where joint cost prevailed, uniformity of price could only result in those accidental cases in which the demand schedules of those that sought to purchase the joint products were alike.

With Taussig, most economists have been inclined to accept the phenomenon of joint cost as peculiarly characteristic of railway transportation and as preventing a satisfactory explanation of much of the variation in railway changes. Recently, however, Pigou has pronounced it most improper to take this point of view, which is based, he thinks, upon a totally wrong conception of the nature of railway transport: "... the carriage of tons of different things from A to B," writes Mr. Pigou, "is a single homogeneous commodity on precisely the same footing as plain cotton cloth. The fact that some 'carrying of tons' is sold to copper merchants and some to coal merchants does not imply that two different services are being provided, any more than the fact that some plain cotton cloth is sold in England and some is sold abroad implies that two different commodities are being provided. For, the fact that one sort of thing is sold for two purposes, or to two different groups of people, does not turn it

into two sorts of things. There remains one sort of thing and one only. Joint supply, however, implies the presence of at least two sorts of things; since, obviously, no commodity can be supplied jointly with itself. Hence, not only is it proved that jointness is absent in fact from the case in hand, but it is proved further that its absence is a logical necessity. The popular acceptance of the contrary view can only be due to the fact that we happen to speak of 'transport of copper' and 'transport of coal,' instead of speaking of transport sold to copper merchants and transport sold to coal merchants. An accident of language has caused an important field of economic inquiry to be dominated by a doctrine which is essentially unsound."¹

The argument would seem to rest on the assumption that the act of transportation is simply that of conferring place utility and therefore that variations in rates are, in general, not to be justified unless based upon differences in the distances over which the acts of transport are operative. But a place utility is surely not measurable merely by geographical distance. The production of place utility by transferring commodities from X to Y may require varying proportions of capital goods and labor per unit of transportation produced, may involve differences in business risks, and may demand diverse degrees of managerial skill. In so far as this is the case, acts of transportation are heterogeneous, not homogeneous.

Of course, the mere fact of heterogeneity of product does not establish the presence of joint cost. In fact, if the conception of joint cost had to be restricted to the definitions given by Mill or Marshall, it could not be applied, in any important degree, to the case of railway transportation. To quote the latter economist, "When two or more things are produced by one and the same process so that the expenses of producing them all together are not greater than the expense of producing one of them alone would be, then these things are called *joint products*." But may not this be regarded as but a sub-case of joint production, which the present writer would be inclined to define as existing whenever the total costs of production of two or more commodities produced together by a single plant are less than the sum of the costs of their separate production by separate plants. Of course, the cost of separate production would limit the price at which the jointly-produced commodities could be sold, but, under free compe-

¹*Wealth and Welfare*, pp. 216, 217.

tition, the collective normal value would be equated with the joint expenses of production, which, by hypothesis, would be less than those of separate production, and the individual prices would actually be determined, subject to the restriction noted, with reference to the relative intensity of the demand schedules. If this premise be accepted, then the applicability of joint cost to the production of railway transportation extends far beyond those cases of back-loading, unused traffic capacity, etc., to which, or less, Mr. Pigou would restrict it. In so far as the fact of joint production would prescribe important limits to the application of a standard of cost of production under conditions of free competition, to that extent is the argument for the regulation of existing railway rates by pure cost standards weakened, resting, as it does, upon the theory that maximum advantage would be secured under the particular monopolistic conditions of the railway by the reproduction of the prices that would prevail under perfect competition; namely, those equated to cost of production. Under such free competition, could it prevail, railway charges would not be determined individually by cost of production, though a certain limiting influence is not denied, but would be adjusted to an appreciable degree with regard to the varying intensities of the differing demand schedules. Of course, no individual rate would, in the long run, fall below the level of those marginal expenses which could be specifically associated with the transportation of the commodity to which the rate applied.

Any argument for cost rates based on the theory of pure monopoly ignores the fact that, in discussing railway rates, we are not dealing with the price making of a pure monopoly; that, allowing for errors of judgment in the estimation of advantage, the railway entrepreneur is sooner or later induced by the size of his investment in immovable capital goods, by the attribute of continuity that attaches so strikingly to his enterprise, to consider future as well as present interests; that, even if junction competition disappeared entirely, regional competition would not do so; and that, as past history shows, though faint and irregular in action, altruistic influences, a sense of responsibility to the community, do exercise an ameliorating effect upon the railway entrepreneur, capable of stimulation, undoubtedly, by discreet and restrained governmental control. So quite apart from the question as to the degree to which joint costs characterize railway transportation, I feel myself forced to agree with Prof. Edgeworth

that the actual conditions argue greater advantage to the community from moderately controlled discriminatory rate making than from a non-discriminatory system.

FRANK HAIGH DIXON: My friend Dr. Meyer has somewhat disappointed me by going into the Economic Seminary room and carefully closing and bolting the door, for it seems to me that this is very much of a street-corner topic which should be discussed freely in the open and submitted to a severe pragmatic test. However, I take comfort in the fact that he has, as his paper clearly shows, carried with him into the sanctuary all his wealth of experience in practical rate making and that the "considerations" that he has so clearly offered us are the direct outcome of this experience.

If discussion means criticism, I ought not to take the time of this meeting, for there is little if anything in the general attitude here expressed with which I cannot agree. If, after all factors are considered, there is, as the writer maintains, still room left for a "wise discretion," the fundamental principle for which the most determined opponents of the cost theory are contending is here conceded. But I do not count myself among the number of the irreconcilable enemies of the cost theory. It has always been recognized that cost is a minimum below which rates should not go; to this extent they have employed the cost theory, yet railways have had only a most general idea of what their specific costs for specific service actually are. Moreover, the railways have deprived themselves of their right to object seriously to any attempt to investigate general costs, for frequently in rate cases they have themselves employed the cost method to justify an increase or to resist a decrease. Elaborate cost studies have been made from time to time, notably in the application now making to Congress for an increase in mail pay. Distribution of expense between passenger and freight and between state and interstate business, which is cost accounting in the rough, has from time to time been made in connection with state litigation covering rates of a special class. Speaking generally, I feel that a more complete and accurate knowledge of costs than railways now possess would be beneficial both to them and to the public,—beneficial to them because it would, I am convinced, reveal many instances where service is performed at a price less than the out-of-pocket expense and many other instances where specific rates long in existence,

established under other conditions and for other purposes, are so greatly out of line that they should be adjusted to the prevailing standard; beneficial to the public because it would contribute just this much more aid to the solution of a problem which needs, in order to be rightly solved, every possible bit of available information.

In the new annual report form which the Interstate Commerce Commission has under consideration, there is provision for the assignment of the expenses of operation between passenger and freight service, first, of those expenses occasioned solely by either service and, second, of those expenses occasioned jointly,—the latter to be apportioned according to the rule now followed by the reporting railway, the rules for effecting such apportionment to be furnished with the report. The object of asking this information is to discover whether the railways are at all in harmony in their methods of apportionment as employed in their own offices and whether from their experience rules of apportionment can be drawn and officially promulgated by the Commission. Whether this proposed schedule is a reasonable requirement on the part of the Commission depends, in my opinion, upon how far and into how much detail the Commission eventually goes in its demand for information and the use to which it is to be put.

The parallel that Dr. Meyer draws between cost accounting in industry and cost accounting in railroading seems to me not altogether a close one. The manufacturer controls to a degree his own price in that his price is not usually determined by an outside authority. He produces a commodity that he can store and can withdraw from the market if the price is unsatisfactory. The railway sells a highly perishable commodity and no longer has any control over its price. Manufacturing industries differ widely in the elaboration of detail to which cost accounting has been carried, and many have found that the assignment of overhead charges to output requires methods so arbitrary as to make the results of little value. If the problem of assigning fixed expense is difficult in a manufacturing industry with an output consisting of relatively few items, how much more complex the problem of the railway manager with the thousands of items of output, how much more arbitrary the rules of assignment, how remote the actual connection between cost and price. To be sure, many of the best managed railways have for years made arbitrary assignment of expenses to the various services performed, and it is

quite possible that they have hit upon the same percentage in many cases, but the results have had little if anything to do with rates. These computations have been of value to them not because they have furnished exact information for any one year, but because, being worked out in the same manner year after year, they have had a comparative value as a rough test of operating efficiency, and it is for this purpose alone that they have been employed. To make them the actual basis of a rate schedule would be thoroughly unscientific, whether it resulted in an increase or a decrease in rates. If, therefore, the Commission contemplates using its new information for anything more than a most general aid in rate determination, I should feel that it was proceeding in a direction that, to say the least, was undesirable. But if this new accounting requirement is only to throw additional light on the problem, then it seems to me the demands on the railways in the matter of additional accounting should be carefully limited. It is common, I know, for railways to use expense as their cry of wolf! wolf! whenever any new proposal is made, and certainly the expense in this case would be no inconsiderable item. One road with which I am familiar is at present spending \$10,000 per week in making separations of expenses for a pending state case. But, of course, the matter of expense in and of itself is no argument against it; if the people as represented by the Commission want it done, it will be done, and the people will pay the bill. My point is that in this age of scientific management we should seriously consider whether the expense involved is justified or whether we are spending five dollars in order to get thirty cents.

But, as I said at the beginning, I am in agreement with the general reasoning of this paper. I believe in the physical valuation movement and I believe that in determining what should be a fair return to railways we should look to capital value and not to outstanding securities. I believe that as traffic becomes denser we shall more and more steadily approach the distance principle in rate making. I welcome any information concerning cost of service that can be secured without disproportionate expense as providing assistance to the rate-maker, whether railway or governmental authority, but I welcome most of all the statement of Dr. Meyer that after every possible consideration is taken into account there will still remain "a wide zone within which to exercise 'the flexible limits of judgment.'" And this exercise of wise discretion is not a matter of guesswork or of intuition, but

grows out of a long period of arduous study of the problem and is the product of a highly expert mind trained to grasp the bearings of this intricate question. In our very able Commission at Washington we have no one who better fulfills these requirements than our distinguished fellow member who has presented the paper this morning.

ARTHUR J. BOYNTON: As in times past, these, also, are difficult days for the producers of time and place values. Unless characterized by monopoly features the producers of form values seem to fare much easier. As Martin Luther remarked in his famous sermon on Trade and Usury that "merchants can scarcely live without sin," so today even, the middlemen, the speculator, and the agencies of transportation are put on the defensive to reveal the workings of their ways and are called upon to demonstrate just why this or that policy is pursued in the performance of their functions.

The methods and operations, costs and what not of producers of form values are readily, or at least fairly, comprehended; they are generally *seen*; while the services of producers of time and place values are generally *unseen*—that is, less readily understood. It is primarily for this reason, I am disposed to believe, that the latter are called upon, often with elaborate complexity of theory, to justify the charges made for the services, real or imaginary, which they are supposed to render. If the public cannot readily grasp the complexities of modern transportation charges, very naturally, and often rightly, it infers that injustice is being done. As a consequence an explanation or a theory, if you please—often a conflict of theories—appears to justify or condemn such practices.

There has been developed during the past generation or so a body of economic reasoning pertaining to the charges for transportation, not one theory, but many theories, accepted more or less according to the interests involved. The cost of service, the value of service, the value of the commodity or taxation theory, joint cost, capitalization, valuation, and various political theories all have held their time and place, and to these may be added—for lack of a better term—the "single homogeneous commodity theory." The persistent conflict of these theories often leads one to raise the question whether or not we actually have today any real recognized theory at all applicable to railway charges. A

theory which but partly answers our purpose, and to which but a limited amount of consideration *must* or *can* be given, can hardly be called a complete theory. Something more must be added.

On the other hand, if each and all of these theories are to be accepted; if each furnishes but a partial rule of action in the determination of fair rates; just what shall be the "due consideration" given to any one or to all of them? Unless this nicety of adjustment can be shown and made practicable; unless we can discover the weight which shall be given to the various considerations urged by each of the above mentioned partial theories; then just so long is it useless for us to content ourselves with the thought that we have any real theory of rates deserving the name. The personal judgment of regulating bodies must satisfy us and the rule-of-thumb must prevail.

While the railways cling to charging what the traffic will bear, or some other of these partial theories, and can discover little or nothing applicable in the others; while the public insists that greater emphasis shall be placed on costs of service; while engineers and efficiency experts claim much for construction and operating accounts; and commissions advance the schemes of enlightened public policy; so long, I repeat, are we far from realizing a vital theory and a rule of action. What is needed seems to be an amalgamation of the theories which we already possess, with such additions and adjustments as the future may reveal. But in spite of the necessity for it, are we prepared, as yet, for such a consolidated theory, a theory which shall weld into a composite whole the elements of truth discovered in each of these partial theories? I may venture the opinion that these so-called partial theories are not sufficiently refined at present to make safe and expedient their incorporation into a unified theory. What, for instance, do we really know about the cost of service, or the value of service, or the relation of valuations to what charges should be? Have we, as yet, any units deserving the name by which we can apply these tests of reasonable charges? In the face of the need of a *real theory*, a composite theory, if you please, deserving the name, we can only hope that this refining and amalgamating process will continue.

With the completion of the valuation of railways, for example, and the experimentation with the data which will probably follow, it will remain to be seen just what "due consideration" can be given this particular contribution to our composite theory.

The demand today, then, is for a refining of the theories we already have and a fusing of them into a real workable theory of rates. Such being the case, the real and immediate work before us seems to be the determination of satisfactory units. Cost of service, value of service, and similar expressions, are empty phrases unless we have some idea of their content, or possess some units for measuring the same. In this connection we are promised, for instance, great things in the recent growth of cost accounting. All this is very encouraging, for what is needed are adequate records on costs of service, that from these units may be derived. May we not be disappointed! Standards, also, are required for determining the value of service. Do we have them? Can they be secured? With no settled policy, with no fixed standards, with no segregation of units, what headway can be made? Have we any revenue or cost units which can be used, for example, for comparing the passenger and freight traffic of any one railroad, not to mention a comparison between one railroad and any railroad group? The "common denominator" expression is readily used in a theoretical discussion, but can it be *found*, and if found, what value, for practical purposes, will it possess?

Once having these units and standards, if perchance they may be determined, how shall they be used and what consideration or weight shall be given to each in the final adjustment of a reasonable rate? An answer to these questions seems to be the contribution necessary in order to evolve a real theory of railway charges.

Finally, in giving use to many theories and the units incident thereto, the all important considerations of joint cost, the elements of monopoly or competition in the service, the necessity of flexibility and elasticity for charges, the variations in costs and maintenance, the heterogeneity of the traffic, and the conflict between interests, must all be borne in mind; at the same time not overlooking a theory of rates which will give consideration to the adequate financial needs of the corporations for the future.

So far, then, as our theories are concerned, let us find, if possible, some measure or yardstick for determining their application, and if they seem to be in conflict let us endeavor to harmonize them and give to each its due consideration. And while we are attempting this, let regulative bodies continue their investigations; let the state give the greatest publicity to financial operations and also insist upon a continually improving quality of service. But

let us in the meantime never forget that statistical study must precede rate theories, and that many theories, or any one of them, without their proper unit records and determined standards, will furnish but a meager basis for regulation or for the exercise of that judgment so essential thereto.

LEWIS H. HANEY: The thesis of the leading paper appears to be this: a cost basis for railway rates is not only theoretically sound but also quite practicable,—though it may be desirable to modify this basis somewhat by the so-called principle of public policy. With this thesis I am in substantial agreement, subject to modifications to be mentioned in a moment. Five years ago, as a special examiner for the Interstate Commerce Commission, I noted that many important lines go much farther in the use of cost accounts and statistics than the anti-cost theorists would deem practicable; and I am convinced that we only need perfected accounts and more interpretative statistical data to enable us, not, indeed, to make "joint costs" directly and specifically assignable, but to make them logically and rationally so.

Two main questions are raised in my mind by the paper,—questions which, though old, must ever be reanswered: (1) What is meant by the value of the railway property? (2) Is there any conflict between the cost basis and public policy? As to the first question, I note that, among other meanings, "value" may indicate either "market price" or "cost price." If the value of the property be taken to mean the former, there is obviously danger from the logical whirlpool that sets in when rates are allowed to enter the determination of rates; for is the market value of the property not partly determined by the income from rates? This could be called a "cost basis" only in a private and individual sense. To the railway director, railway capitalization stands as a liability and the interest on funded debt as a "cost"; but to the public, the actual investment, or expense of labor and materials, is the cost. If, however, the value of the property be taken to mean a "cost price," we should merely be using that value as one element in a cost basis for rates. We should learn the cost of the property (whether "original" or "reduplication") so that interest charges could be directly determined and distributed. This seems to me the only satisfactory interpretation of "value" to be adopted here, and is the one meant by Commissioner Meyer, I presume.

This first question suggests a similarity between railway values

and land values. Land being subject to private ownership, we allow land values to be based upon income (rent), and "unearned increments" and "differential gains" are allowed to accrue to private persons. But railways are affected with a public interest, and the question arises, should they be allowed to include in their values unearned increments and differential gains? If the straight cost-value idea were adopted, no price-determined surpluses would be included in the basis; but none but the least costly lines between any two points could be profitably worked. Practically it would be necessary to adopt something like the marginal-cost idea, and that would allow differential gains to accrue to supramarginal roads. It seems expedient that these gains should pass into the hands of the railways and then, on the ground of the railways' public function, be taxed heavily,—perhaps not so heavily, however, as to remove the stimulus to choose the cheapest construction. I believe that much remains to be done in applying the marginal analysis to the determination of railway values.

As to the second question, it is my conclusion that no conflict exists between a cost basis and the so-called "principle of public policy,"—at least not in the beginning. To ignore costs means much more than throwing rate making into politics. It means economic waste on a gigantic scale. It is specious to urge that coal, sand, and other low grade commodities could not move at cost rates. By what right is their low price assumed? Ordinarily, if a good could not bear the transportation charges from A to B on account of its low price, the price at B would have to rise. Is it expedient, then, that the railways, backed by the government, should take it upon themselves to supply goods at less than cost? Where would it stop? If the public-policy basis means anything different from the cost basis, it means that goods would normally be hauled for less than it would cost, and that railways would be maintained that normally could not pay. Of course, short-time initial losses incurred for the purpose of putting traffic on a paying basis within a reasonable time would not be inconsistent with a cost basis. In the long run the only way to prevent wasted energy and natural resources is to let competitive prices determine. This is the law of comparative cost applied to railway tariffs. As a practical matter, particular exceptions have to be made in cases of vested interests and emergencies, but these cases should frankly be put on the ground of charity, just as we provide poorhouses for those who can not pay for their own subsistence. Public policy,

as distinct from cost, merely makes exceptions. It does not furnish a rule for rate making. It is—is it not?—an end, or goal, not a means.

Thus far, I have confined myself pretty strictly to issues directly suggested by the leading paper. If I may venture to make an additional point, I will say that I believe that the whole problem which confronts us is to fix rates as they would be fixed under normally competitive conditions, and that to do this satisfactorily we must bring to a synthesis several of the fragmentary, partial theories which now engage our attention. These fragmentary theories are the result, I take it, of past misunderstandings. It has not been long since the average man in his heart believed that railways could compete, and few men fully realized the extent of the railway's public character, to say nothing of the significance of the doctrine of joint cost. Born of this confusion, or these confusions, naïve cost theories have jostled incomplete value-of-commodity theories and fought with question-begging value-of-service theories. But now that the ground has been cleared and the true economic nature of the common carrier established, the time is ripe for a coördination and a synthesis. It is true that competition can not obtain in the railway field, but that does not mean that the forces of demand and supply are not operative there. Why, then, not set out to solve the problem of constructing a rate yardstick by the demand and supply route? It is a block-signalled, rock-ballasted road, lined with venerable classic scenery. Do you hesitate because competition is lacking? It is not competition, as such, that makes the demand and supply road safe. The only validity that demand and supply analysis ever has depends, logically, not upon competition, but upon the number of exchanges that take place. We validate the working of demand and supply on the ground that their equilibrium gives the maximum number of exchanges. Then, taking for granted railway monopoly, why not seek to approximate the effect of competition on rates by constructing schedules of shippers' demand prices and carriers' supply prices? Here, of course, the difficulty of joint expenses arises. (And we cannot directly assign the total of a railway's costs. The schedule of carriers' supply prices can not be simply determined.) We must seek a rule for determining the portion of joint expense that each class of traffic would bear under competition. This is the heart of the problem.

At the outset we may gain some comfort because, in the first

place, the arbitrary private discriminations that formerly accompanied the scramble among shippers to gain exemption from their due share of joint costs is being eliminated; while, in the second place, improved accounts and statistics are narrowing the joint field and giving more accurate bases for work.

It remains, then, to determine normal demand and supply curves in which joint costs are rationally assigned, and to put them together. On the one side, we have as the fundamental fact the utility of the transportation service to the shipper. This primarily depends upon the difference, not between actual *values*, but between "supply price" (seller's estimate) at the point of origin and "demand price" (buyer's estimate) at the point of destination. This we may call the distance utility of the service. But the utility of the service also depends somewhat upon the value of the commodity and the trouble of handling it, which may be combined and termed its specific value,—value in a given bulk. We therefore have to combine the "distance utility" of the service with the "specific value" of the commodity to get the total utility of the service and determine the final or specific demand curve. It will be observed that we have thus synthesized all that is true in the value-of-commodity and the value-of-service theories.

On the supply side, we have a larger or smaller minimum of "specific costs" that can be directly assigned in each case. To this we must add a larger or smaller amount of joint cost (including interest on the cost value of the property), and I would propose that this be done accordingly as the "specific demand" indicates that it can be borne. This is the way it would be done under competition. It is the truth in the what-the-traffic-will-bear theories.

Thus, proceeding from a recognition of joint expenses, we arrive at a basis of rate making which recognizes elements of truth in various theories, and which, while estimating costs as a supply-limiting force, also takes demand forces into consideration. It is not, however, a group of separate yardsticks from which to choose according to whim, but it is one composite principle that can be applied in all normal cases, the uniformity lying in the rule, the variety in its applications. It is based upon the fact that demand and supply are the ultimate forces, however joint and composite they may be. It gives us the result that these forces would work out under fair competition if railways could compete.

THE RURAL ORGANIZATION SERVICE

By T. N. CARVER

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It has long been recognized that the peculiar weakness of agriculture lies in its lack of organization. This lack of organization is due, first, to the large number of persons engaged in farming; second, to the fact that they live so far apart; third, to the fact that our system of settling the public lands was an extremely individualistic one; fourth, to the heterogeneous character of our rural population in most of the states.

Hitherto, most of the work of the federal and state governments for the promotion of agriculture has related to the technical side of agricultural production. It is the theory of the present Secretary of Agriculture that it is quite as important that the work of buying supplies, of marketing products, and of rural finance should be promoted by government agencies as that the technical work of production should be so promoted. Congress had already appropriated \$50,000 for the study of the problem of marketing and the diffusion of information on this subject among our agricultural population. The Secretary saw, however, that the problem of marketing was largely a problem of organization and that organization includes a number of other things besides marketing. Accordingly, it was deemed desirable that a Rural Organization Service be established within the department to develop this new phase of agricultural promotion. The General Education Board, which had been lending its financial support to the farmers' cooperative demonstration work of the department, organized by the late Dr. Seaman A. Knapp, in the fifteen southern states, were also planning to extend their work to other states, and to other kinds of agricultural education. An agreement was arranged whereby the Rural Organization Service should be supported by the General Education Board in order that the work might be begun in the field of rural organization.

Outside the office of markets two main lines of work are contemplated,—one in the field of rural finance, including both long and short time credit and insurance, and the other in the promotion of

producers' and purchasers' associations. In both these lines of work, however, it has been necessary to spend a good deal of time in making a preliminary survey of the field in order to find out what the situation actually is, what the needs actually are, and what agencies already exist for meeting these needs in whole or in part. In the field of rural credit, some excellent organizations are found already at work, helping to solve this problem, locally at any rate. The building and loan associations, for example, or as they are sometimes called, savings and loan associations, have, in one or two states, entered the field of farm credits and are lending on farm mortgages on the amortization principle. At least one private agency has been lending on farm mortgages on practically the same basis as the *Credit Foncier* of France. Some of the middle western states, also, are literally honeycombed with farmers' mutual insurance companies, which are really coöperative societies for the supplying of this large need. Coöperative creameries in Minnesota and Wisconsin, coöperative elevators in Iowa, coöperative warehouses in North Carolina, and coöperative purchasing associations in about half the states, have been doing some excellent work, though of very uneven quality.

It appears at the present time as though, aside from the work of actually promoting coöperative organizations, the time and energy of the Rural Organization Service would be largely taken up, first, in convincing people that there is no magic about coöperation; second, in making clear to would-be organizers the distinction between the joint stock principal and the coöperative principal; third, in making it clear, in some of the western states, at least, that better credit facilities are quite as likely to do harm as good, except where they are safeguarded and permitted only to those farmers who have prepared to use the capital advanced to them for distinctively productive purposes.

Under the first head, for example, there are a great many very intelligent people who seem to think that the elimination of profit insures a saving to somebody. It seems to take a surgical operation to get it through their heads that the private middleman who gets his salary in the form of profit, may, by eliminating what would otherwise be called a salary, effect as great a saving as a coöperative society can by eliminating what are nominally called profits.

Under the second heading, there are a great many who do not see that a joint stock company organized among farmers is not a

coöperative society. They overlook the fact that it is likely to happen under this form of organization that some of the leading stockholders may be more interested in dividends than in increasing the profits of the ordinary business of the farmer. On the other hand, some of the extreme advocates of coöperation seem to think that there is some magic about the "one man, one vote" principle. They are unable to see that all that is necessary is that the management of the society shall always be controlled in the interests, not of the receiver of dividends, but of the receiver of the ordinary farmer's income. That is to say, the affairs of the association must always be managed so that the profit will come to the farmer in the form of better prices for his produce or lower prices on what he purchases, rather than in the form of higher dividends on his investments. From this point of view, the "one cow, one vote" principle is just as good as the "one man, one vote" principle in a coöperative creamery.

Under the third head, it is found that a great many farmers are borrowing money for non-productive purposes, or going in debt for things which do not add to their income, merely because their credit is good. It is probably safe to say that one half of the farmers who are now in debt would have been better off today if their credit had not been so good or if they had not been able to borrow on such favorable terms. Among all the studies that have been made of European agricultural credit systems, it has never yet been sufficiently emphasized that the function of a coöperative credit association is just as much to refuse credit as to give it. The farmer on a western claim who, as soon as he receives a title to his land, mortgages it in order that he may go back East to visit his wife's folks, would find himself unable to get anything on any terms from a wisely managed coöperative credit association. What these European credit associations are, really, are associations for the promotion of productive agricultural enterprises by advancing capital for these enterprises only, and refusing it for all other purposes whatsoever. Until a group of farmers have this idea thoroughly in mind, they are not in a position to be encouraged to start a coöperative credit association, either for long time or short time credit.

THE RURAL ORGANIZATION SERVICE—DISCUSSION

CHARLES J. BRAND: The problems of marketing are exceedingly difficult and complex. Constructive work in so involved a subject requires a sound plan of procedure. Congress at its last session appropriated \$50,000 for the use of the Department of Agriculture in beginning an investigation of present and improved methods of marketing and distributing the enormous annual products of our farms.

The plan which has finally been adopted after a thoroughgoing preliminary study includes the following subdivisions: (1) The study and promulgation of market grades and standards; (2) Market surveys—methods and costs; (3) Investigation of transportation and storage problems; (4) City marketing and distribution investigations; (5) Studies and demonstrations in coöperative production and marketing.

In addition to the above, the Office of Markets conducts the special investigation of cotton handling and marketing which the Department has under way.

The following brief statements will indicate the work outlined under the different headings:

Market Grades and Standards.

The study of market grades and standards will include economy, sizes, suitability of packages and containers, methods of preparation of perishable products for market, demonstration of results obtained by the best of the methods used, and all necessary work contemplating the ultimate establishment so far as practicable of official market grades and standards of farm products.

Market Surveys—Methods and Costs.

This work will include surveys of available market supplies in production areas, demand at consuming centers, quantities of produce in cellar, cold, and other storages, marketing systems and prices, commission, brokerage, auction and other methods of marketing agricultural products, the effect upon the producer of produce exchange prices and future dealings, cost and other problems involved in wholesale and retail distribution of farm products. In connection, the feasibility of conducting a market news service will be carefully determined.

Transportation and Storage Problems.

This work will include investigations of problems in transportation, concentration, storage, and preservation of farm products, elimination of waste, and the study of problems connected with surplus market supplies, also the transportation, distribution and delivery of supplies needed on the farm, terminal and transfer facilities and practices including freight congestion, car supply, deterioration in transit, minimum car lot and demurrage regulations, improved car construction for specific products, extension of the practice of precooling of perishables, efficiency of iced pick-up cars, and other special service concerned in getting the products of the farm to the ultimate consumer.

City Marketing and Distribution Investigations.

The Department's first interest naturally is in the farmer producer. Nevertheless, we have the greatest interest in the consumer. Help to either, if based on sound economic grounds, should be a help to the other. The work in city marketing and distribution is planned to be definitely and practically helpful. It contemplates a careful study of the uses and limitations of farmers' municipal, wholesale and retail market houses, curb markets, and other systems of city distribution, including all the problems involved in provisioning metropolitan populations and the promotion of direct dealing between producers and consumers by parcel post, express, freight, and other methods of delivery which the varying conditions of different communities may justify.

Coöperative Production and Marketing Investigations.

Upon the ultimate successful outcome of the extension of co-operation depends in large part the solution of our marketing difficulties. Small farmers producing less than car lots cannot hope to pack, crate, ship, and sell to advantage. With a view to extending coöperative enterprises into all sections where this type of handling farm business is best suited, the Department will study not only production and marketing, but coöperative producing and distributing, as well as the auditing and accounting systems of coöperative organizations, for upon efficiency in this respect depends in large part the success of farmers' coöperative organizations. The information obtained will be furnished to farmers' organizations and societies of consumers and others interested in the problems of marketing and distribution. In sections repre-

senting different types of agricultural industries we plan also to conduct demonstrational work along these lines.

The Office of Markets aims to be the marketing end of the agricultural interests of the country what the other branches of the Department of Agriculture have been to the producing end,—determining facts and conditions and endeavoring to solve marketing problems as they present themselves to the best interests of all concerned.

Marked results in this work should not be looked for too quickly. It must needs be largely investigational at first, and the problems, being mostly of national scope, will require broad and careful treatment. The deficiencies of our present marketing system have grown up through years, and are not to be corrected or regulated in a day.

B. H. HIBBARD: In support of what Professor Carver has said, it may be well to emphasize the point respecting the difference between the farmers' ordinary stock company and the coöperative company in which dividends on stock are limited and provision is made for a trade dividend. In the former type of organization it is usual for the voting to be done by shares, although frequently the number of shares which one member is permitted to own is limited. In the latter form each member has one vote without reference to the number of shares held. It has become quite the fashion to condemn the stock company as outside the pale of coöperation, and to insist that the principle of "one man, one vote" is the first essential in any organization to be admitted into the select company.

Before taking so definite a stand in this matter it would be well to consider that we have in the country a great number of farmers' companies doing good work and gaining the end desired through the old time stock plan of organization. These are farmers' companies, run by farmers, in the interest of farmers. Such are the elevator companies of which there are around two thousand. No doubt they fall short of the ideal as coöperative concerns, but they are coming nearer to it. For instance, it was a very usual thing six or eight years ago for them to publish with a good deal of gusto the fact that they had made fifty or a hundred per cent dividends on the investment. Now they run usually so as to make much less, and where big dividends are made they keep quiet about it. This change in sentiment has come about with the realization

that some stockholders are getting dividends, not so much out of the capital which they have invested, as out of the business contributed by their neighbors. However, in many states there is no legal provision for the incorporation of the strictly coöperative company, and therefore the companies as organized are about as near an approach to the ideal as circumstances will permit. Again, the practice in a great number of cases is to allow each member one vote and to pay back to each patron for his produce a price which leaves little to put into dividends. By these arrangements the advantages of the coöperative company at its best are approximated.

On the other hand, there are circumstances under which it is doubtfully advisable for the fullest type of coöperative company to be organized. Suppose, for example, that in the vicinity of some small town there are half a dozen strawberry growers who depend mainly on the sale of berries for their yearly income and a dozen growers to whom the business is incidental. If the eighteen growers should form a company for the marketing of strawberries it may well be that the six men who have the most at stake will decline to put two-thirds of the whole voting strength into the hands of the small growers who have a different relation to the business. It does not follow that the one set of men should make money out of the other set. In some cases attempts have been very successfully made to distribute the voting power according to the amount of business contributed by the several members.

Where the state law provides for a full-fledged coöperative company, where the farmers are sufficiently well educated to accept the principle, and where the amount of business contributed is not greatly unlike among the members, it would no doubt be well to insist on such an organization. But where other conditions obtain the stock company may still serve a good purpose and under it very creditable coöperation be carried on.

W. W. FOLWELL suggested the propriety of taking into account, in all discussions regarding rural betterment, the temper and disposition of the country people who are to be the beneficiaries of our charitable endeavors. No beautiful ready-made systems can be let down out of the skies which will avail anything without their invitation. The wide dispersion of the people on the large farms of America, the mixture of races in communities, the indifference,

not to say hostility, felt by many to coöperative work, must long postpone coöperation in production and restrict coöperation in the primary manufacture and sale of farm produce.

It may be that indirect means will have to be employed to draw our country people in spite of these circumstances and prejudices into associate action. It is said that the best way to keep a mule in a field is to turn him into the next lot and let him jump in.

Of all indirect allurements toward coöperative activity known to the speaker none seem to him quite so promising as the consolidated rural schools already organized in some Minnesota counties under enabling legislation. A dozen or so ordinary school districts are grouped together, acres of land are acquired, ample buildings erected, and a graded school opened. The children are carried to and fro in comfortable vehicles. All reports received thus far are full of encouragement. These central school houses are already natural places of social gatherings and centers of elevating influences.

THE THEORY OF RENT AND AMERICAN AGRICULTURE

By H. C. TAYLOR

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It is assumed that the phrase "the theory of rent" refers to the theory as stated by Ricardo. This theory may be said to contain three major premises, namely:

1. The more useful grades of land are first utilized, and with the growth of population the movement is from the better to the less useful land with rising rents on the older lands.

2. Rent is the *one* differential surplus in the distribution of wealth.

3. Rent is *measured* by the differences in the usefulness of land.

While these propositions have all been accepted and taught in the United States, no one of them has passed without criticism and modification.

- I. In the middle of the nineteenth century American agricultural development had reached a stage where, for the time being, and looking at the United States in the large, the very reverse of the assumption that with progress the less and less useful lands will be resorted to and the rent of the older lands continue to rise prevailed. By the middle of the century the westward movement of population had reached the prairies of the central states where the cost of bringing land into cultivation was at a minimum and the natural fertility of the land was at a maximum. With the development of transportation facilities this land has gradually become the most valuable in America.

With the expansion of the corn area the movement was from poor corn land to good, then from good to excellent. This was partially true of wheat, though it may be questioned if any wheat lands in the United States have ever surpassed the best wheat regions of New York and Pennsylvania. The significant fact was the great abundance of wheat land. In the expansion of the cotton area the Ricardian theory was both proved and questioned, for, while the westward movement brought better lands into cultivation, these better lands, for example, the black prairie of Alabama, the alluvial areas of the lower Mississippi and the black prairie of Texas, were selected spots surrounded with wide areas of less useful lands which were passed by to take the better lands.

Yet the general effect on prices and on rents was, for the time, the reverse of the Ricardian hypothesis. Better and better lands were taken up, price levels were on the decline, and many farmers in the older regions suffered an undeserved decrement instead of getting the expected unearned increment in land values.

In this early period of expansion into the prairies there was enough faith in the Ricardian philosophy to lead large numbers of men to make speculative investments, notably in the cheap prairie lands of central Illinois, yet many felt that it would be a long wait for the speculator. About 1850 one agricultural writer expressed the belief that more land was then held speculatively than would be needed for actual settlers in a hundred years, that one had as well speculate in eight-acre tracts of the Great Lakes or in quarter sections of the Atlantic Ocean as in the prairie lands of the West.

This period produced a man who tried to square his whole economic philosophy with the conditions of his time. Henry C. Carey read in the facts of his own time the reversal of Ricardo. For eastern men of his own time Carey's short-time point of view gave wiser counsel to the investor than did the long-time point of view of Ricardo. While, in the long run, the general truth in the Ricardian hypothesis that the movement is from good to less desirable land holds true, the history of American agriculture forces upon one's mind the limited usefulness of this theory for a given time and place. The direction and the resultants of progress cannot be foretold in simple formulas. It is only when this theory is accompanied by a careful study of the tendencies of the times, viewed in the light of a knowledge of history and geography, that it is a trustworthy guide to the man of affairs. The Ricardian hypothesis was used by its author as a basis of a system of economic philosophy and as such it is too general to be very useful, but as a starting point for inductive study it is highly useful.

II. The second proposition, that rent is the one differential surplus, began to look questionable under American conditions of industrial life where a large proportion of the working population were able to accumulate wealth by saving from their incomes. Whether this is to be explained by future economic historians in terms of temporary conditions arising out of the great natural resources of this century, or in terms of differences in the efficiency of men and, hence, of permanent significance, may now be a debatable question.

Differences in the efficiency of men were recognized by J. E. Thorold Rogers in the little volume on *Social Economy* published in 1871, in which he says, "There is a sort of fertility of men's minds very like the fertility of certain fields. . . . The work of one man may be paid for at fifty times the rate which another man's work is paid, simply because people find out that it is worth fifty times as much." But it was the American economist, Francis A. Walker, who accepted variation in human efficiency as an important fact in the industrial world and made it the basis of his theory of profits, thus putting his theory of profits on a par with the theory of rent. Once the question was thrown open the tendency has been to look for new species of the genus to which rent belongs. This broadening of the differential theory formerly applied only to rent was an important step forward in the history of economic thought.

III. The Ricardian statement of the measure of rent becomes seriously complicated so soon as it is admitted that rent is one of a class. If rent is measured by the differences in product, the question may well be asked,—“Whose product and by which grades of equipment?” This problem has been dealt with in detail at other times and will not be entered upon here except to state that while the *differential character* of rent stands reinforced by its companions, the differential measure of rent seems to have been thrown into utter confusion by the presence of other differentials to be paid out of the same lump sum.

The quantity of rent can best be studied by listing all the forces which tend to increase and all the forces which tend to decrease rent and proceeding to study these forces at given times and places in the light of history and geography. In other words, the same methods are essential in the study of the annual value of land (rent) as are used in the study of the value of other economic goods. A summary statement of the forces which determine the amount of rent which the writer has used in the class-room is as follows:

The amount of rent tends to vary directly with the number and capacity of those engaged in agriculture and of the equipments employed, directly with the amount of capital seeking investment in farming operations, directly with the opportunities for continuous, remunerative employment throughout the year for the labor and equipments, directly with the social advantages of the locality, and directly with the prices of farm products. The rent

tends to vary inversely with the efficiency of the managers, workmen, and equipments in the competing region as a whole, inversely with the prices of farm equipments, wages, and other operating costs, and inversely with the abundance of good land.

To some it may seem undesirable to encumber the student's mind with so complex a catalogue of forces instead of the old simple formula that the rent of a given piece of land is measured by the difference in the value of its product and the product of marginal land per unit of expenditure. This old statement is easier to teach, temporarily satisfies the student's mind, and makes him feel he is getting somewhere. Ultimately, it leads to discarding economics as of little practical value. The analytical statement followed by a careful study of the operation of each force will introduce thinking students to the real problems in a way which will be of practical value to them. To make this method effective it must be vitalized with concrete illustrations taken from real life. The day is arriving when the economist will devote nine-tenths of his time to the collection of facts. Less time will be given to logical deductions from hypotheses and more time will be given to the foundations of the hypothesis. Researches of this character will lead to a better understanding of all of the forces which operate in the modern economic world and will give basis for an education in economics which will deepen the insight of the man of affairs into the complex life about him.

THE THEORY OF RENT AND AMERICAN AGRICULTURE—DISCUSSION

RICHARD T. ELY: I do not believe that government purchase necessarily means a greatly increased price of land purchased. It has been stated that the government has paid a high price for the land purchased in Ireland. Mr. Lloyd George has made this statement in the British Parliament. In my investigations in Ireland last summer I did not find facts that would warrant this statement. Very generally I found that the government paid about twenty years' purchase, whereas in England very often the price of land far exceeds this. There are certain peculiarities in the Irish situation which might make the value of land less, but even if we take these into consideration I do not think that it can be said that the government has paid a high price for the land. I remember talking with a gentleman connected with one of the commissions about a great estate which it was expected would soon be purchased, and I was told that it was expected to buy the land at a price varying from eighteen to twenty years' purchase.

In Ireland there is a twelve per cent bonus paid to owners, but the impression that I have gained was that even with this bonus included the owners did not receive any exorbitant price for their land. In making bargains for the sale of land it was impossible to avoid taking into account the twelve per cent bonus.

This subject has been discussed in connection with the proposed purchase of land in England. I think it is agreed that if the government should proceed carelessly the price of land would be raised. If, however, the government buys land cautiously only when it is offered in the market at a reasonable price I do not think that it would result in raising the price of land greatly. I think also in other countries if the government is in the market to buy land only when people really desire to sell, it can make good bargains just as a private individual can do who is a purchaser only when he finds what he regards as a good bargain.

B. H. HIBBARD: The results of a questionnaire sent to the landlords of an Iowa county support strongly the contention that cash rent is no more adjustable to changing conditions than is share rent. The replies show that the proportion of the crop received as rent has increased appreciably within the past few years, thus giving the landlord a return greater in quantity as well as higher

in prices per unit. The amount of the cash rental per acre is on the increase at the same time but is less able to adjust itself to the conditions brought about by the rise in prices of farm products. As a result, the majority of land owners receiving cash rent express a preference for share rent, the reason for continuing the cash being the reluctance of the tenant to give a share. The land owners receiving share rent, with very few exceptions, prefer what they are getting by this arrangement to a cash rent. It is little wonder that the popularity of share rent is increasing, in view of the fact that it is yielding to the landlords as high as twenty dollars an acre, and seldom less than six dollars, which latter amount is about the average payment on the cash basis. It is of course evident that share rent adjusts itself in great measure to changing conditions of prices automatically. This inquiry shows that it also adjusts itself with respect to the proportion of the crop taken as a rental with greater readiness than cash rental increases in amount to correspond to the increased value of produce.

THE PROBLEM OF SYNDICALISM

By JOHN GRAHAM BROOKS

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As I wish chiefly to ask what our attitude is to be before the issues which syndicalism raises, I shall first give but the baldest statement of such theory and practice as are supposed to distinguish the movement.¹

We have to think of it as turning away from all that state socialism means and making its appeal to the trade union and, in this country, to whatever convulsive mass-action it can inspire in the labor world. It talks garrulously about Marx, but does not care a fig about him or for his theories, except the class war. Led by Sorel, there has been most incisive criticism against Marx, closely in line with that of Bernstein and the Fabians. There is fine sport with almost every destructive economic formula, except his generalizations about class antagonisms.

In carrying through this war, syndicalism is to gain its end chiefly outside politics. This is to be done, not in the spirit of the older individualistic or philosophical anarchy, but by a kind of crowd-anarchy,—an anarchy of federalized minorities, contemptuous of democracy with its majority rule; even fighting proportional representation because it lets the masses in.

If it is a war of classes, syndicalists take the logic of it. They clutch at the pragmatists because the Bergsons seem to give the world, soft as wax, into hands that wish to mould it over after their own will. This "creative evolution" thus avoids the hardened fatalities of an economic determinism.

But all that theorizing has not a tithe of the value for us which is possessed by their practical ways and means. How is this war-concept to be applied so that capitalism with its wage slavery shall tumble about our ears? Here is the line for direct action and sabotage en route for the General Strike.

A polite definition for sabotage would be, "withholding one's efficiency." If the employer is too obstinate, go a step further and cripple the efficiency of the machine or spoil the product. If we think of what popular science, chemical and other, is putting into the hands and brains of unlearned folk, sabotage is a very

¹ I have made no distinction in this paper between syndicalism and "industrial unionism" because the distinction seems to me to have little or no value.

terrible weapon. To shirk work, or even to spoil it, is an ancient practice if pay or conditions were felt to be unfair. But the tactics of the modern sabotier are brought up to date. They have been refined and skilfully pitted against the sensitive, highly organized business plant of today. The wise syndicalist cares very little for the old noisy tumult in the street or on the barricade. He knows that the modern street, armory, artillery and police system have the whip hand over all such futilities. It is because he knows this, that he carries his weapon from the street into the shop, the mine, and the mill. Silently and unobserved, he can do here a far more deadly work. He can strike at the very heart of capitalism, the very thing for with capitalism exists—profits on sales.

But this is by no means all that the new weapon reaches. Like the sword in magic arts, it is invisible against the enemy. Here, sheltered in the very house of the employer, he can use his weapon and, at the same time, beat the soldier and the police. Unless he is clumsy at his work, he can inflict his wounds without affronting an ordinance or a law. I have heard impassioned appeals to "keep within the law," and thus give militia and public officer no possible excuse, because, as one speaker put it, "You can reach the wad of capital as silently as a pickpocket." In many recent disturbances in the United States, the I. W. W. leaders tried much more anxiously to keep the peace than did the police. This was done, not that they cared for the law, but because from their own point of view it was stupid to make extra trouble. When we remember the youth, the variety of nationalities, the lack of discipline in the large majority of their strikes, the one outstanding marvel is that so little violence has occurred, and our public authorities, police, and police courts have an unhappy share of responsibility for such violence as did occur.

It is this blundering, moreover, which draws factions together which would otherwise remain apart. It drives the syndicalist to use his weapon of destruction and inefficiency still more secretly and silently where he is safe and snug beyond the protectors of law and order—soldier, police, or courts.

Beyond this, if further need arises, is the quick, sharp, and unexpected strike, which will be so much less costly that the poorest and newest unions, or even those without organization, can engage in them. Give us, then, the one Big Union, sweeping in the labor mass irrespective of vocation, and a federated power is at hand with which capital cannot cope.

If we add to this, that syndicalists seem honestly to believe that Fabianisms and reforms of all sorts are vicious, because they merely prolong the final surgery without in the least evading it, we have the essential outlines of this newest thing in the way of economic and social deliverance. It all means that parliamentary and legislative procedure moves so slowly and so lamely that an outside stimulus is thought necessary—a more vehement, unencumbered and direct impact of mass-action.

It is this which raises a question of genuine speculative interest. Social growth, especially in revolutionary moments, has depended very largely upon the help of extra-legal agitations and even in coöperation with forces as directly lawless as Northern defiance of Fugitive Slave Acts. Whether at any time or place social and economic maladjustment has reached a stage which requires or excuses such outside attack, is a betting issue settled only by experiment. Syndicalists are betting that capitalism is now at a point of dangerous instability which requires treatment not prescribed by doctors and nurses in good standing. It is speculatively conceivable that they are right; conceivable that, in addition to all that reform and regulatory legislation can perform, the whip and sting of more and other incentives are also required. If this should prove true, the future will have a very different moral judgment about syndicalism from our own.

The only way known to me of dealing either fairly or intelligently with my subject is at once to raise two questions. First, of what is syndicalism a part; to what larger whole does it belong? Second, are capitalism and the wage system so far losing hold upon what is vital to their own security as to require profound readjustment?

Those who are angered and inconvenienced by the coltish ways of our I. W. W. insist upon ignoring them or treating them as a bunch of outlaws quite venomous enough to be exterminated, if it can be quietly and diplomatically managed. A pat example of this perversion is just at hand in a sixteen-page bulletin of the New England Civic Federation. It tells of the equity suit brought to compel an accounting for money contributed to I. W. W. leaders. In the midst of the Lawrence strike, while funds were pouring in, the rumor spread that these were being used for all sorts of purposes besides relief to strikers and their families. There never was the slightest doubt that this was true. It is as old as history that funds gathered on the fighting line in revolutionary uprisings have been recklessly used. They have gone "for the cause." They

have gone to strengthen it where, at the moment, the need seemed most urgent. It is notorious that these uprisings sweep in (like the Garibaldi following) some shady adventurers and pretty squalid blackguards.

To the letter, this is true of the I. W. W., and nobody knows it better than the best men in the movement. It is from these that we hear of the "scavenger organizers." Now the New England Civic Federation bulletin will have it that the whole pack of them is made up of "scavengers." In its words, "All this number are men belonging to the local organization, the national body, and managers of I. W. W. newspapers. All seem to be deep in the mire." "Semi-starvation and suffering on the one hand and plenty of money on the part of the leaders, big and little" . . . local leaders were "faithless," and national leaders "mercenary." To quote further, all are "simply oily-tongued adventurers."

All that can be said of this is that it is the one attitude to *avoid* if we wish to see and understand. Our I. W. W., invaded and sometimes swamped by raw and inarticulate immigrants, is sorely handicapped for carrying out an orderly protest. The kind of lives they live in our industrial centers; the sort of politics they are taught; the newspapers they first learn to read, do not inspire law-abiding habits. Quite as fatal is it that the leadership under which these are bound to come will reflect but too faithfully all the ignorance they bring here and also all the devious things we teach them.

These are facts for which some allowance must be made. But the point here raised is that the I. W. W. is, first, a part of the whole syndicalist movement in the world, as that it is also a part of the whole socialistic and politically radical defection against the economic and political order of our time. Syndicalism is one of the extremer, cruder, and more passional forms of this attack. Without quibble one must admit that if capitalism is as far gone; if it is as rotten and undermined as most syndicalists maintain, their methods are logical enough. It is because we know fairly well that they overstate their case in this respect that serious discussion of this topic seems fantastic to many sober folk.

Yet syndicalism will have serious treatment just about so far as one thinks capitalism and the conservative property concept are on the defensive. Even if we believe that the essence of capitalism and private property in interest and profit-bearing forms are to endure for any future worth while discussing, it is plainly possible to maintain that changes so radical are necessary, as to

justify every extreme of critical ferment required, first, to startle, then, to educate, that body of opinion without which no change is possible.

If there is one fairly trustworthy inference about revolutions, it is that the blind refusal of those who hold the seats of power, to yield and adapt themselves to the new exigencies is at least as dangerous to "order and progress" as are the outside agitations.

Let us look for a moment at one aspect of this hostility to those who have held dominant economic power. Wholly irrespective of our likes or dislikes, is anything more eventful happening just now than the rapidity with which power is passing to the people? The whole story of regulating monopoly and great industries is only one record of this fact. Politically, the referendum, recall, initiative, popular election of senators, and the like, have the same significance. All the secrecy and monopoly in caucus and conventions have become as intolerable as have the corresponding absolutisms in the business world. A third and perhaps still more momentous sign of this shifting of power and control is the growing determination to deprive the courts of what is widely felt to be too much power: a too absolutist, too mysterious: too "divine right" kind of power. It is no longer the rabble that is saying this, but men at the head of law schools, professors of political science, and able lawyers. In Brooks Adams' *Theory of Social Revolution*, just published, all this is summed up through a series of judicial cases, with an interpretation of Mr. Roosevelt's "recall of decisions" that is full of instruction.

If, for the moment, we can so far detach ourselves as to look solely at the fact of what is happening in this transfer of power (a) from capitalistic control, (b) from the older political control, and (c) from judicial control, we shall be putting on record precisely what constitutes this revolutionary change. However uncouth, syndicalism is a part of this shifting equilibrium and as such it must be treated.

We know that the main contest is over the control of industry and the profits of it. Those to whom power is passing, not only believe, but they have now got plenty of evidence that capital—even if not playing with loaded dice—has controlled forces—economic, political, inside information—which have enabled it, and still enable it, to take an exorbitant share. At the present moment, in practically every land, the challenge takes legislative forms in hundreds of investigations and reports: in income and inheritance taxes, up to the Lloyd George land scheme, and all the

network of regulation, which cannot possibly be carried through without the profoundest changes in the *control* which capital has held both in business and politics.

Just as significant is labor's attitude toward the new measures with which capital proposes to defend itself. These vary from court injunctions to the stop-watch. Look for a moment at this quite minor example. As capital became conscious of friction in the form of waste, Mr. Taylor appears with his "Efficiencies." We know how absolutely necessary these are, and how considerable a part labor organization has had in purposed inefficiency, but my questioning goes back of this. Why, as capital clutches at this device, does labor sullenly kick against it? Of course syndicalist and socialist sheets the world over have for it only guffaws. But old and disciplined trade unions also kick. As able a paper as the *New Statesman* warns against it, and all for the same reason—an inveterate suspicion that capital will too exclusively control the new agency. If it lies within the power of the employer to satisfy labor that its suspicions are unjustified, the system may have the field; but it is a fair question if those who represent capital can furnish such proofs without sacrificing more control than they will be willing to yield.

This all seems to mean that the revolutionary impulse within the economic system has reached a stage and has a backing of public opinion which makes all indiscriminate attack on syndicalism as dangerous as it is futile. Neither public authorities nor employers can act in this age as if syndicalism was a crime. It has its criminal manifestations to be met after their own nature; but syndicalism is immensely more than this. It is an energetic part of the whole revolutionary movement bent upon profound structural changes in the competitive system and in the political forms which are so largely a reflection of that system. Syndicalism, as a whole, is as legitimate and as desirable as outside critical and protesting opinion ever has been or can be. It is as much a part of social growth as are the resisting forces classed under the term "law and order."

To see it, then, in its relation to the entire body of revolt against those economic and political sanctities under which private property shelters itself, is to see it as it is.

It is also as unquestionably akin to the renaissance of the guild idea and a vocational emphasis which makes some of the shrewdest contemporary observers think that political representation should

take account of these facts.² Syndicalism stultifies itself by carrying this vocational emphasis to an extreme as if all geographical bases of representation were to give way. Apart from the kind of work done, the dwelling place will also have its interests to maintain, but syndicalism has to be thanked for regimenting the wage worker along broader lines than those of the craft and insisting upon more substantial political recognition of these vocational entities.

There is nothing now more evident within the socialist following than that the consumer point of view has had too extensive hearing. However much they may be organized in state and city, the labor groups as producers have to have their own innings as syndicalists suggest.

What for example is more significant than the recent rise of the trade union *inside* the English Coöperative Movement? As the profit-sharing idea fails, the union asserts itself and even raises a strike fund. It is the distinct recognition that employees have been overlooked; that their interests as producers do not run quite level with those of consumers, and must be stoutly maintained. They all know that consumers' coöperation is a greater and more vigorous force than ever, but that the shop workers must make their own fight. In the authoritative Jubilee History of the C. W. S., just published, this assertion of the shopman is frankly justified, though the trade union label with its awkward consequence for coöperation is derisively rejected.

This larger revolt includes anarchists, communists, socialists, single taxers, and a most formidable contingent of radical politicians the world over. If in some color scheme this protesting multitude could be mapped out, syndicalism would have its own tint differentiating it a little from anarchy and communism, more from socialism and collectivism, but so shading into all of them as to baffle the hardest attempt to preserve outlines.

Syndicalism has already produced its "reform branch" of opportunists who differ in no conceivable particular from multitudinous socialists of more radical temper. The withering criticism which so many socialist veterans have inflicted on syndicalism would lead one to believe that it had nothing in common with socialism. The running fire of vituperation against socialists which fills the syndicalist press, would confirm this view. Yet

² See, for example, the remarkable pamphlet just published by that veteran investigator, Charles Booth, *Industrial Unrest and Trade Union Policy*.

everywhere syndicalists are found hotly insisting that a common camp includes both them and socialists. Both alike will socialize the three rents; both lay stress on the "class struggle." The socialist view of the State, when properly democratized and the consequent uses of political action, offer a very radical difference from syndicalist tactics. It is in the main the logic of this difference in the concept of the State which gives us such special shade of purple as syndicalism must have upon our map.

What is not, however, to be overlooked is that in time of strife these bodies will help each other. As in time of arms laws are silent, they will forget all theoretic variations when the struggle is on. If in future the contests with capitalism are to be more frequent and more bitter, the inclusive total of this revolt will act together on the firing line to such extent as to obscure all the solemnities of the separate programs.

It is nothing less than the whole mass of this critical alienation which capitalism has to face. It must face it at a time when a hectoring governmental regulation seems to be on the side of the critics. Ex-President Mellen has long said privately that the railroads would be worried into state ownership, but he now says it openly and defiantly.

That capitalism is, secondly, so far losing its hold as to make necessary very radical readjustments, is conceded by so many, and from such surprising sources, that agitators of every hue have an easier case. I submit two illustrations which are not to be patronizingly ignored because their authors are dubbed eccentric. Their judgments have much in common with a huge body of opinion of the most respectable sort upon this issue.

The first illustration is from a special adviser of mercantile and financial practitioners who are supposed to know what they want and how to get it. Some 3500 of them pay him yearly a quite astonishing sum for his warnings and suggestions. In a recent barometric sheet he tells his subscribers, bankers and merchants that the labor fight is only just *beginning*. He then continues:

I also wish to warn you that the movement will—in some form—continue to grow, because it is, in my opinion, *founded on an economic fact, namely, that the labor problem will never permanently be solved until the workers actually own the mills and other private enterprises as the state or nation actually owns the railroads and public service properties, however much we dread both events.*

The great fundamental question between capital and labor will never be settled by arbitration boards nor through the joint control of industries by representatives of labor and capital. *One of these two opposing interests*

must and will ultimately rule. Wise are the bankers, manufacturers and investors who recognize that it will be labor which is to rule. If so, this means that labor must ultimately acquire the industries, as capital will not much longer rest content with present conditions. Thus the question is as to the method by which this change in ownership may be brought about.

In his own large lettering he says:

THEREFORE ALTHOUGH WE MAY DESPISE THE LEADERS AND CONDEMN THE METHODS OF THE I.W.W.'s, WE MUST NOT LOSE SIGHT OF THEIR ULTIMATE AIM, AS UPON THIS AIM DEPENDS THEIR FUTURE GROWTH. IN SHORT, THE AMERICAN FEDERATION OF LABOR PROFESSES TO BELIEVE THAT THERE CAN BE TWO HEADS TO A MILL OR BUSINESS AND THAT IT CAN BE OPERATED JOINTLY BY CAPITAL AND LABOR. THE INDUSTRIAL WORKERS OF THE WORLD STATE FRANKLY THAT ULTIMATELY THERE CAN BE BUT ONE HEAD,—EITHER CAPITAL OR LABOR MUST RULE—AND THAT WE ARE TO SEE A FIGHT TO THE FINISH. I REGRET TO ADMIT IT, BUT I NEVERTHELESS BELIEVE THAT THE I.W.W. THEORY IS THE MORE CORRECT, AND MANY GREAT MANUFACTURERS RELUCTANTLY AGREE.

Of course, I make these statements to clients only in strict confidence and these facts should be so treated; but I do urge clients to recognize them and prepare for such events as follows:

(1) BY CONTRACTING ONE'S INTEREST IN CERTAIN KINDS OF BUSINESS AND GRADUALLY "GETTING UNDER COVER."

(2) BY PURCHASING ONLY SECURITIES WHICH ARE ISSUED ON A BASIS MUCH BELOW THEIR LIQUIDATING VALUE.

(3) BY DEVELOPING HEALTH AND OTHER ASSETS WHICH ARE FAR MORE IMPORTANT THAN MONEY, AND WHICH CANNOT BE TAKEN AWAY.

(4) BY TRAINING ONE'S CHILDREN, BOTH BOYS AND GIRLS, TO BECOME PRODUCERS, AND LEARN SOME TRADE WORTH WHILE BY WHICH THEY CAN SUPPORT THEMSELVES IF NECESSARY.

IT WILL, HOWEVER, CONTINUALLY BECOME MORE DIFFICULT FOR THE IDLE WELL-TO-DO TO LIVE WITHOUT WORKING. THE ENTIRE WORLD IS AWAKENING TO THE POWER WHICH DEMOCRACY GIVES AND THESE POWERS WILL SOON BE TRIED. Those of us who have been lazily living on what we have inherited are in the same position as were the rich monks of Europe before their properties were seized by the state. For centuries these church orders waxed rich because they were able to make the people believe in the sacredness of their organizations.

These opinions of Mr. Babson would have surprised me much more, if within very recent years one did not hear men of large experience in financial affairs, when they are in a detached speculative mood, express opinions differing in no important particular from those just quoted. After I had read them, I wondered how

soon I.W.W. evangelists would be found flaunting this barometric utterance before their own hearers and parading it in their press. I did not have to wait two days for the one, nor a week for the other.

They seize these concessions just as they do the startling criticisms of the English land system by Lloyd George, the onslaughts upon capitalism by a statistician and parliamentarian like Chiozza Money, and the scathing strictures by men of science like Sir Oliver Lodge, Professor Ostwald and Alfred Russell Wallace. These utterances would have no place here if they were not a most formidable part of revolutionary opinion now at war with capitalism, with the wage system, with property rights as now interpreted, and *syndicalism is a conscious and aggressive part of this total*. Out of the larger revolutionary fellowship it gets support and a deepened belief and security in its main objects. Once to see this, seems to me to lift the movement where it should receive neither lazy inattention nor contempt.

The other illustration is from that most formidable publicist, Mr. Brooks Adams. In the volume referred to, we are told roundly that the revolution is on: that capitalism is not only on the defensive, but has neither the temper nor the administrative ability to hold its own. His first chapter is entitled, "The Collapse of Capitalistic Government." Of his own craft, the law, he writes (p. 214): "And as capital has had now for more than two generations, all the prizes of the law within its gift, this attitude of capital has had a profound effect upon shaping the American legal mind. The capitalist, as I infer, regards the constitutional form of government which exists in the United States as a convenient method of obtaining his own way against a majority, but the lawyer has learned to worship it as a fetish." He sees no greater danger than in what he calls the "universal contempt of law incarnated in the capitalistic class itself." "In the United States," he adds (p. 217), "capital has long since owned the leading universities by right of purchase, as it has owned the highways, the currency and the press, and capital has used the universities in a general way to develop capitalistic ideas."

Syndicalists only change the dialectic when they insist that wage earners are entrapped in a system which filches a part of their earning, and the task of capitalism is now no less appalling than that of having to *prove* to the disaffected that this exploitation is not true. It has become the practical assumption of political radicalism, of hundreds of publicists and every variety of

intellectuals, as well as trade unions and collectivists of all sorts, that labor is defrauded by artificial privileges which capitalism has made its own.

It seems to me possible to state with some precision what our attitude should be in spite of all the scare words. It is true that inherent in it is the lunge toward anarchy, though of the federated type. This is apparent in its refusal to submit to the discipline of organization. As inherent is the drift toward organization with the necessary uses of political action, compromise and control of factional and minority opposition. This gives us again the old contest and see-saw in about every step of what we know as modern socialism. That syndicalism is to be tested and tempered in this same furnace is certain.³

It is not for nothing that the "war-mother" of syndicalism—the General Confederation of Labor in Paris—refuses to take part in the International Syndicalist Congress this autumn in London. The C.G.T. is itself rent by all the schism it can stagger under. It has had a dozen years of wrenching experience over every fundamental issue which distinguishes the movement. It has fought proportional representation and stuck to "one union, one vote" in order to preserve its sanctity of minority right. But the Miners, Railway Men, Printers and Textile Workers are obviously up in arms against the rule of minority vote in lesser unions.

Every scrap of news one gets of this struggle indicates that the more powerful unions are every day more committed to the severities of genuine organization, as in the nature of the case they must be, if discipline is to have the only thing which gives it value, power, and stability. It is these larger bodies which make short shrift with invading anarchists, because, when business has to be done, the anarchist is a nuisance. He wants insurrection and he wants it all the time. It is in the smaller unions that these scouts find themselves at home. As in this country, they overdo the strike, exhaust resources, create reaction within the general body, and strengthen reformist tendencies in the solider unions. It is this exact result now showing itself in France. Even the smaller unions are crying out against irresponsible strikes initiated by locals. They insist upon federal decision in order to

³I read in a socialist sheet published in this city that one so prominent as Mr. Trautmann resigns from the more radical fighting section to join the reformist section who sniff at sabotage and direct action and who know very well that politics is not merely to be an occasional weapon, but a steady and serious business.

check hasty and passionate local action. This mirrors political experience as old as the race and shows how naïve and reactionary a great deal of this syndicalism is.

The eighth I.W.W. Convention sat this autumn nearly two weeks. Here was a host bent upon the destruction of capitalism, employing to that end strikes so incessant as to keep itself in a state of semi-exhaustion so far as all natural resources are concerned. Though it aims at a world organization, it is still destitute of everything that deserves the name organization. In an adopted resolution it says, "little real organization exists," because, as it continues,

1. Our speakers and organizers have concentrated their energies too much upon general agitation and have judged results solely by the amount of literature disposed of.

2. Many of our speakers and organizers have failed to teach industrial unionism and have instead preached against or for politics, or against religion, etc.

3. Our organizers have failed to properly follow up their work wherever an organization was started in an industry, but have tried instead to start as many locals as possible without first putting the locals on a sound basis.

In spite of this, a brisk fighting minority assumes there is already in the I.W.W. a dangerous centralization of authority and power. The only hope, insists this minority, is to decentralize; keep the outlying local centers free and independent; have done with convention and the Executive Board. What, one asks, will happen when, if ever, they get real organization?

If this degree of mutiny prevails when there is only a bluff at organization, what would happen when the one Big Union for which they strive got knit into some kind of working efficiency; when it had to deal with policies which concerned the whole body; the funds in its war chest, money grants to local strikes, and legal defence of its men in jail? A very minimum of organization necessary to do the work that itself lays out to do would stir rebellion, compared to which the recent protests at Chicago would be pallid enough.

These changes, deepening the gulf between the anarchist and the organizer, do not appear in ceremonial publications. But every accessible record of internal discussion shows that such constructive work as organized labor has to do (whether as socialist or trade unionist) has to be done after the reformist method. Co-operation with existing reform agencies has to be entered into.

This gives us definite consent to and alliance with advanced constructive political radicalism.

I therefore put the question, if syndicalism so early in its history reproduces the old experience within the groups calling themselves syndicalist—if even there, they find so soon the narrow limits of the mere fighting, atomistic tactics, what would happen if they had their way? What would happen if the citadels of capitalism fell and the one big union trooped in to take possession? Local, national, and international trade is still to go on and, if so, that trading must be organized, with centers of power at least as great as those which now exist, and probably far greater for this reason, that syndicalism on its own principles could not permit any one labor group—tanners, miners, gardeners, textile workers—to get the old graft of differential advantages. To avoid this, to see that such local unearned increment springing from lucky position, shifting of values, and trade currents, richer coal beds in one place than in another, some method that should carry such differentials automatically to all labor would surely require powerful and extensive organization.

Now that part of syndicalism which passes into the reform movement would lend itself naturally to this organic development. That part which proves recalcitrant will drift to its own anarchist belongings, leaving us still the oldest struggle in the world and the one which will longest endure: the contest between the ins and the outs,—between those to whom social control has been intrusted and those who itch and ache to get that power themselves. It is between these two tendencies that we have to find our way. With the reformist wing, it is perfectly easy for all the more radically minded to find points of constructive alliance in the whole body of advanced social legislation.

Our difficulties are not here, but with the revolutionary sections of syndicalism, which flout all these concessions. Beyond the line of serious law-breaking, against which any self-respecting society will defend itself, is there that in syndicalism which we must not only tolerate but welcome?

I wish to give one reason for such forbearance, and even such co-operation as forbearance implies. This justification must depend upon analogies, which I do not forget are beset by pitfalls.

Nothing characterizes syndicalism more than its reliance upon emotional reactions; upon the *feeling* of grievances as distinct from the more highly rationalized justification of those feelings. In the Peterloo days, English labor was striving for ends that

were as sacred as any for which men ever sacrificed, but the wise folk of that day thought it all absurd and criminal,—very much as they now think of syndicalism.

If the rationalized objections of economists and statesmen of that time were today compared with the dumb, instinctive assertion of labor striving for self-defence through organization, should we now question that labor's feeling was nearer right?

Of the whole body of factory and social legislation, from 1802 down, was not the impulsive protest of those who chiefly suffered a better guide than the sophisticated objections of those defending what they thought to be immediate business interests? Or, in spite of all error and eccentricity, especially about money, was not the cry of our Grangers, forty years ago, far closer to the coming fact than the self-complacent people, in editorial and other chairs, who ridiculed them? The Grangers first *felt* the need of railroad regulation, and even parcel post and income tax—and very slowly, out of that half-blind mass-agitation, we got the impulse and suggestion for doing the things which then seemed grotesque. The need of social change is felt at the point of irritation and discomfort long before it can be thought into shape for legislative and other uses.

Take again the long strife between adherents of the self-governing workshops and consumers' coöperation in England. Labor copartnership was the ideal of a very brilliant set of intellectuals,—highly trained lawyers like Ludlow and Judge Hughes, men of letters, men of wealth and extraordinary self-devotion like Vansittart Neale. These cultivated gentlemen were interested in man at the point of production. Ludlow thought one was acting like a god when he was producing, but like an animal when he was consuming. They insisted that the labor groups should have their share in the profits and all coöperation be organized to that end. For many years the consumers could not answer them or they answered timidly and clumsily. Many times they rather sulkily yielded to their superiors, but so many times discerned that the superiors were wrong and they were right, that the humbler party finally plucked up courage and fought it out on lines of consumers' coöperation.

I by no means claim that the consumers are to have the whole field to themselves; but, with something like certainty, we now see that the self-governing workshop is to do no such work as those intellectuals claimed for it. Consumers' coöperation has proved to have economic superiorities undreamt of by its oppo-

nents, and out of the tug of the day's work labor won its own triumph. It has been won by those who could not theoretically justify it, but who had the tenacity to follow their interests until experience had heaped up all the proofs they needed. Syndicalism is surely in a class with these pioneer uprisings. At its best it becomes a part of those newer social growths which are the basis of all our guessing at future economic and political development.

There is monotonous insistence among more reflective syndicalists that, as they rise up through their special industries, they are to be more and more the creative artists in wealth production. This is the labor copartnership ideal touched a little with poetry, and it is extremely likely that any possible future will have to allow for a great deal of this artistic individualism. After monopolies have gone once for all to the state and city; after consumers' coöperation has immensely extended its field wholly outside the socialized monopolies—a coöperation free, voluntary, and with plenty of competition to keep the state functions on their good behavior—it is fairly certain that syndicalism in this sense will be found to have made its own precious contribution. If we may believe that essential monopoly can really be brought under social control, an enormous part of the world's work may then develop freely, competitively, both from consumers' and producers' point of view. From the side of the producer, syndicalism would have its claim to partnership in that larger whole. Its motive is that of the trade union at work. Here it will fight for the best pay and conditions it can get, as against the consumers' determination of what shall be produced and how it shall reach him.

By itself syndicalism cannot perform the task of organizing and distributing differential advantages,—all the unearned increments that spring from sources beyond the individual and beyond the special industry. Every attempt to formulate this in hierarchies of organization carries them straight out of and beyond syndicalism. So much of syndicalism as has already expressed itself in French and Italian coöperative undertakings shows us the partial possibilities along labor co-partnership ideals, and at the same time shows us the limits within which it is likely to do its work.

Viewed thus as a *part* of industrial development, we should welcome it precisely as we welcome the service which socialism can perform. It, too, will never have the game all to itself. Both as agitator and as socializer of monopoly privilege, it will play a very large part in the future control of industry. But beyond it,

vast activities must be allowed for to which the word socialism very awkwardly and very inadequately applies.

I do not wish to overweight these illustrations, but they seem to me to have their own solemn warning for our time. They surely indicate the wisdom of listening not only with attention but with a kind of reverence to every persisting urgency which considerable labor bodies express from the working field. They may easily be the first warning intimations of social changes which have as much to teach us as the later and more defined stages of revolt.

It seems to me that we ask little enough for the syndicalism of our time in saying that it carries within itself very important, if disturbing, hints of coming change to which economically and politically the future will have in some degree to adapt itself.

THE PROBLEM OF SYNDICALISM—DISCUSSION

KARL RATHGEN: Mr. Brooks's paper is so largely political in character that I can speak on it only reluctantly. I have not the presumption to tell Americans what attitude they should take in regard to a movement which is essentially a political one. To an economist the first question must be: what is the character and strength of syndicalism? To a German economist it is striking that syndicalism seems to be essentially of national character, having its origin and strength mainly in France and Italy. With Sombart I think that this comes not only from national character, but also from the less advanced economic condition of those countries. Syndicalism and kindred anarchistic movements have never taken hold of the German workingmen to any extent. One may find something of the kind in the so-called locally organized unions, which have never had real influence, and in the case of want of discipline in starting inconsiderate strikes, which the centralized unions mostly succeed in putting down (*e.g.* the strike in the Hamburg shipyard last summer).

Mr. Brooks has pointed out the inherent weakness and lack of organization of syndicalism. I quite agree with him here, and when he sees in syndicalism a part of the great movement of unrest. But I cannot follow him when he asks for sympathy with a movement because we do not know what will come out of it. His analogies do not seem to me convincing. If the Grangers asked for control of railways, for a parcel post, and an income tax, these were in themselves not new, and they remain entirely within our economic system. If, as contrasted with industrial copartnership and the self-governing workshop, consumers' coöperation has succeeded, it is because this also is carried on, to a large extent, on the basis of our economic system and has not tried to do away with the wages system. Syndicalism comes back to the utopian idea of the self-governing workshop and underestimates entirely the strength of our economic system. I can see in syndicalism only a passing phase of the social movement. That part of it which has vital force must come over to the discipline and organization which has made a power of trade unionism. That part of it which persists in its utopian ideas must pass away in consequence of its own lack of organized efficiency.

M. B. HAMMOND: There are four questions concerning syndicalism which I desire to ask, and to answer as fully as possible, in

the few minutes assigned to me: (1) What is the explanation of the appearance of such a movement as syndicalism at this time? (2) What are the aims of the syndicalists? (3) How effective are likely to be the methods which they employ? (4) What should be the attitude of students of economics, interested in social reform, toward this movement?

1. I think we may say that syndicalism was born of the social unrest which has been such a noticeable element in the history of the first decade of the twentieth century. It is not a matter of pure chance that we have such a revolutionary movement appearing side by side with similar outbursts on the part of the militant suffragettes and on the part of embittered trade unionists like the structural ironworkers. In all these movements we find the same characteristics: first, the presence of a high ideal, to reach which, it is argued, one must be guided by feelings rather than by cold reason; second, impatience of delay; third, a desire to avoid political complications with their necessary compromises and their shrewd diplomacy. Instead, there is a determination to use direct action, which hits somebody and therefore gets results. The rising tide of syndicalism, with its warlike methods, is, therefore, in part due to the same influences which have animated the social reformers of all classes. Its peculiar manifestation is due largely to the leadership of a class of men who have never before participated in a revolutionary movement, and who have not learned the futility of such outbursts. Mr. Brooks has told us in his book on *American Syndicalism* that the leaders of the I.W.W. are mostly young men. I found the same thing to be true of the leaders of the radical parties in New Zealand and Australia. The New Zealand Federation of Labor, the "Red Feds" as this organization is called, which has been responsible for the general strike which only recently has befallen this "country without strikes," is composed almost entirely of young men who did not pass through the great maritime strike of 1890 which preceded the enactment of a compulsory arbitration law.

The resort to violent means is due, however, not only to the natural impatience of delay which affects young men, but is, I think, in large part to be explained by the fact that the great trade union movement, which has done so much in the latter half of the nineteenth century to better the condition of skilled laborers, has done little or nothing to improve the condition of the great masses of the workers—the unskilled and the semi-skilled. Industrial unionism, as contrasted with trade unionism, has done

something to improve the lot of these men, but even industrial unionism assumes a permanency of employment within a given industry, which does not exist for the majority of the workers.

2. When we come to discuss the aims of the syndicalists, or what constitutes their program of reform, we find that we must distinguish between their *destructive* and their *constructive* plans. It is their plans for destroying the existing order which have challenged the attention of outsiders, and which have received the most emphasis on the part of even those within the movement. We need not, I think, spend much time in discussing the futility of riots and sabotage in bringing about a better condition of society. When we turn to consider the constructive side of their program, it is then that we meet with the greatest disappointment. We find that there is no well-thought-out method of reform. No advance is made by the syndicalists on the old idea of coöperative societies, and syndicalists have not shown any appreciation of the weaknesses which these attempts at coöperation revealed. In fact, the syndicalist even emphasizes the importance of the very things which proved the destruction of the old coöperative movement. That movement failed, primarily, because it did not recognize the value of organizing and managing ability and offered no encouragement to men having capacity for organization. Syndicalism rests on the same fallacy. The syndicalist does not believe that any one person has greater capacity to rule than has the mass of workers. Mass rule is, according to the syndicalist, always superior to individual rule, only it is not the rule of the majority which the syndicalist emphasizes but the rule of the so-called "moral active minority."

The syndicalists' idea of the necessity of class conflict leads nowhere. Conflict, as all sociologists know, is of value as a social force only when it leads to toleration, but the conflict which the syndicalists preach is simply destructive in its nature. If the workers win their fight against the capitalists by their methods of riot, sabotage, etc., the exploited merely become the exploiters. The workers may gain control of the industrial establishments, but syndicalism does not tell us how they would use them.

3. As to the syndicalists' methods, they are doubtless effective in creating annoyance, but they certainly do not convince us that they can create anything else. The general strike, or even a strike of all workers in the transport industries, is doubtless a powerful weapon, but such experience with its use as we have had shows

that it recoils with especial severity upon those who discharge it. Furthermore, the syndicalists are mistaken in their idea that the only antagonism which is going on in the economic world is that between the workers and the capitalists. The struggle going on between competing establishments in the same industry, and between different industries is just as keen as that between the masters and their workers, and the remuneration of the workers in any given industry is as much dependent upon the prices paid for the materials used by that industry and upon the prices secured for its products as it is upon the distribution of the returns between wages on the one hand and interest and rent on the other. The shrewdest of the leaders have, of course, observed this fact and have attempted to provide for it by their scheme of a "federated administration," but this is little more than a suggestion and can hardly be regarded as an essential part of the syndicalist program.

4. More important than anything else which we can discuss is our answer to the question of what shall be our attitude toward the syndicalist movement. Shall we give our support only to the repressive methods which have been practiced in most communities in which syndicalists have appeared; to the efforts not only to check displays of violence, but to forbid freedom of speech on the part of syndicalists? These are the ordinary police methods, and, to a certain extent, I suppose we shall have to recognize their legitimacy. To the authorities of a state or municipality, pledged above all else to maintain order, there is little time to reflect or philosophize as to the ultimate effects of such methods, and doubtless we would all favor some repression and some punishment of law breakers and of those who incite lawlessness, in order to protect society against anarchy. The fact nevertheless remains that the pressure being brought to bear upon the masses of the workers by the failure of wages to keep pace with the increase in cost of living has left them with no further power than this violent mode of resistance, this blind striking in the dark. The trade union movement, as we have said, is utterly unsuited, by its method of organization, to assist this class of workers. It assumes a unity and identity of interests which do not exist among the unskilled. Weak as the syndicalist movement is in its philosophy and in its program of reform, it is calculated to excite sympathy rather than criticism on our part. Ramsay MacDonald's description of syndicalism as "the impatient, frenzied, thoughtless child of poverty, disappointment, irresponsibility" is not only an

accurate definition of the movement, but it shows us why its followers are deserving of sympathy in their fatuous efforts to demolish and reconstruct the social order. If the syndicalist movement does nothing more than to spur on present-day reformers to urge the adoption of practical remedies for specific social diseases—such remedies as the minimum wage, workmen's compensation, sickness insurance, old age pensions, labor exchanges, industrial education, and vocational guidance, all of which have been sufficiently tried to demonstrate their usefulness—it will have produced more good than it has of harm. All these reforms are calculated to be directly beneficial to the unskilled and semi-skilled workers and, to the extent to which they are adopted, they all tend to remove the causes which have produced this revolutionary movement.

Furthermore, syndicalism may do something toward enabling certain leaders in business enterprises to see the need of more moderate reforms and to offer less resistance to the adoption of such a social program as most social reformers are now undertaking to carry through. It is unfortunate that their attention has to be called to the need of reform by such violent methods as syndicalists preach and practice, but it is perhaps better that it should be called to their attention in this way than not at all. Syndicalism, as Mr. Brooks justly says, is "just as legitimate and desirable as outside critical and protesting opinion ever has been." It seems, furthermore, as legitimate as the tactics which recent congressional investigation shows the National Association of Manufacturers to have used, and while corruption on one side may not be sufficient excuse for violence on the other side, the fact that corrupt methods breed violence may serve to teach a useful lesson.

Another point which I wish to mention before closing, but which I cannot, of course, develop, is that while syndicalism has no constructive program to offer it may nevertheless point the way to a real solution of our present industrial problem. The ideal of coöperative production carried through by private industries seems to me far better than that of socialized production through the agency of a state monopoly. While syndicalism does not itself show us how this coöperation is to be secured, it does indicate some reaction from the strong socialistic tendency of the last quarter century. Our modern corporations have proved fairly efficient in carrying on production, and have at the same time exemplified the possibility of the coöperation of large numbers.

The next step in our industrial evolution would seem to be to secure democratic control of these corporations and to give to the workers in them an opportunity to share in this control. In this way we should be securing what the syndicalists are striving for, and industrial democracy would come about through natural evolution rather than through violent revolution.

R. F. HOXIE: The leading paper, if I grasp its spirit, is essentially an appeal for an open-minded and tolerant attitude toward syndicalism, both because of its character and larger relationships and because of its imminence as a practical problem.

I heartily second this appeal for open-mindedness but on quite other grounds, viz., that it is only by considering syndicalism in an unprejudiced, matter-of-fact, scientific spirit that we can get at the real character of the problem which it presents to us and wisely regulate our conduct with respect to it.

Approaching the problem in this spirit it seems to me that we have to consider at least three questions before we can reach any valid conclusions: (1) What is the nature of syndicalism? (2) What is its strength in the labor movement? (3) What are the causes of it and the prospects for its future development? It is impossible for me, without greatly overstepping the time limit, to discuss adequately any of these essential questions, but a few suggestive statements in regard to each of them may not be altogether amiss.

With respect to the nature of syndicalism I am bound to recognize the validity of the concrete attributes by means of which Mr. Brooks attempts to identify it, but I am inclined to question both the general syndicalist concept which he appears to derive from these attributes and some of the implications which in his mind seem to attach to it.

Mr. Brooks nowhere specifically defines syndicalism and one must infer from the paper under discussion that it does not appeal to him as in the nature of a definite, concrete entity. Rather it appears to be, according to his inception, an intangible, spiritual something—a state of mind, but so comprehensive, so shifting, and so shadowy in its outlines that one can never be sure what it is exactly and what it is not—a nebulous cloud enshrouding and permeating the all-inclusive radical movement.

If we accept this concept, Mr. Brooks has us at a peculiar disadvantage in any attempt to appeal to facts in order to combat his conclusions. If we attempt to show how atomistic, and there-

fore organically ineffective, syndicalism is, he has only to point out how strong it will be when it sweeps all the workers into one big, centralized union. If we bring forward facts to show that the syndicalist ideal, as we know it, is losing ground, he has but to reply that this means merely that the syndicalists are becoming opportunistic and reformist.

Now with all due respect for Mr. Brooks's intent, his open-mindedness, and his remarkable intimacy with the facts of the labor movement, it does seem to me that he has thus enwrapped the subject for discussion in a mystical cloud which completely befogs the issue. If we are to reach any practically valid conclusions in regard to syndicalism and the problem which it presents to us, we must, I believe, treat it in an every-day, matter-of-fact spirit,—if not as a concrete, organic entity, or movement, then at least as a fairly definite theory and mode of action.

But in so far as we do this we seem bound to deny the main implications which flow from Mr. Brooks's conception of it. He tells us that:

The I. W. W. is first a part of the whole syndicalist movement of the world as that is also a part of the whole socialistic and politically radical defection against the economic and political order of our time. . . . This larger revolt includes anarchists, communists, socialists, single taxers, and a most formidable contingent of radical politicians the world over. If in some color scheme this protesting multitude could be mapped out, syndicalism would have its own tint differentiating it a little from anarchy and communism, more from socialism and collectivism, but so shading into all of them as to baffle the hardest attempt to preserve outlines. . . .

What is not, however, to be overlooked is that in time of strife these bodies will help each other. As in time of arms laws are silent, they will forget all theoretic variations when struggle is on. If in future the contests with capitalism are to be more frequent and more bitter, the inclusive total of this revolt will act together on the firing line to such extent as to obscure all the solemnities of separate programs.

The implication here seems to be that it is impossible to examine and judge syndicalism apart from the general radical labor and political movement; that it is imbued with all the importance of that movement and partakes of its general imminence; and that if we are inclined at all to take radical medicine for our social ills we must, perforce, swallow syndicalism with the rest of the bolus, for, "however uncouth, syndicalism is a part of this shifting equilibrium." In short, Mr. Brooks seemingly denies us anything of the nature of revolutionary choice.

Now this appears to place syndicalism before the student in a manner that is neither warranted by the facts in the case nor by

the scientific demand for an unprejudiced attitude. It is a far cry from the recognition of a certain community of needs and interests among all factors of the radical group to an implication that all must or will adopt common theories and methods of action. Can we even assume that all of those who subscribe to the notion of class conflict are bound to sanction every new conflict theory or to adopt the means proposed by the latest shortsighted or super-radical group? On the contrary, I believe that it may be affirmed without fear of contradiction from close students of the labor movement, that such vital differences of environment, and therefore of problems, needs, and viewpoint, exist between the more divergent sections of the radical group as to make present conscious identity of purpose and action, or even mutual aid, practically impossible. This is true whether our line of demarcation be either social or national. And even if we adopt the view that industrial development is surely wiping out the differences of conditions, needs, and problems that now exist, socially or nationally, between the divergent sections of the radical group, so that unity of radical viewpoint and method may be looked upon as a future possibility, there is still wanting proof that such union will take place on the basis of the most militant theory and program. At present, indeed, at least in this country, the weight of evidence seems altogether against the assumption that if there is to be a union of radical elements it will be on the line of syndicalist theory and action.

Mr. Brooks's apparent denial of revolutionary choice, in his effort to define and place syndicalism, appears then to elevate it to a position of undue importance and to attach to it a certain honorific quality unwarranted by the facts. All of which starts us out in our efforts to comprehend and deal with the problem somewhat overawed by syndicalism and prejudiced in its favor,—things which, if we are seeking the truth, are to be avoided quite as carefully as their antitypes, which Mr. Brooks is evidently attempting to exorcise.

If now we put aside this mystical attitude and approach syndicalism as a definite, concrete thing from which the protecting mantle of general radicalism has been withdrawn, how important really is it? In other words, what is its actual strength as a factor in the labor movement? In attempting to answer this question I shall confine myself strictly to the situation in this country, first, because I have no first-hand knowledge of the European situation, and, secondly, because I believe the problem of syndicalism, so far as it touches us vitally, is after all a national one.

To my mind there can be no doubt that as a people we have been led or frightened into a tremendous overestimate of the importance of the syndicalist element in the American labor movement. I think it can be shown that not only has syndicalism never infected any considerable body of American workmen but that it is today losing strength and influence with organized labor in this country. If we consider the various organic elements of the American labor movement these statements are not difficult of proof.

We are told first that syndicalism was a "propelling force in the meteoric career of the Knights of Labor." I seriously doubt the validity of this statement, but if it is true it is also true that the Knights of Labor has been utterly repudiated by American workmen.

Secondly, if we look to the socialist party, which from the beginning has fought craft unionism and has endeavored to arouse American laborers into class consciousness, we find that it has taken care by constitutional enactment to clear its skirts from any syndicalist taint.

Thirdly, it is a significant thing that the old ultra-radical Socialist Labor Party contingent, which helped to organize the I. W. W., withdrew in a body from that organization when it turned from political to direct action.

Fourthly, it is a matter of common knowledge that the Railway Brotherhoods and the American Federation of Labor, whose combined membership includes by conservative estimates ninety per cent of the union workers of this country, have consistently refused to countenance syndicalistic theory or syndicalistic organization. Both have advanced steadily in the direction of legislative and political action, until now the Federation has practically committed itself to the ultimate formation of a labor political party.

It is true, on the other hand, that we have heard much of late of American syndicalist societies and leagues, formed with the avowed purpose of "penetrating" the American labor movement. But I challenge any pro-syndicalist to expose the weakness of these so-called organizations by bringing forward any authenticated statement of their membership and operations. To all intents and purposes they are in fact paper organizations, mere imitative projects, without a root imbedded as yet in the fertile soil of the American labor movement.

There remains then as the sole possibly significant organic representative of syndicalism in this country, the Industrial Workers

of the World. Here at last, if anywhere, we are face to face with the bugbear of American syndicalism. And what of the I. W. W.?

A few months since, moved by a desire to get at the truth underlying the flood of literature on this subject, I tried to make an honest, first-hand investigation of the I. W. W. I attended its convention, ate, drank, and talked with its members, soaked myself in its factional discussion, haunted its headquarters, fraternized with its officers and leaders, delved in its literature and history. The outcome of this investigation went to show:

First, that the syndicalistic character of the I. W. W. is not altogether authenticated by the facts. The so-called syndicalism of this organization seems to be after all not much more than decentralization gone mad,—a thing for the most part compounded of a species of anarchistic idealism and a blind, instinctive impulse to react somehow against capitalism and capitalistic society in the absence of the ordinary organic, financial, and political means and opportunities. But even this decentralizing madness does not appear to be a brand true syndicalism, for, among the rank and file who are committed to it, and even among its protagonists, there is a notable lack of positive, guiding comprehension of what syndicalist theory is and implies. Moreover, there is a strong faction in the organization whose aim is still one big union with centralized authority and financial power, and whose emphasis is placed on stability of organization and immediate results.

But, secondly, assuming that all this may not invalidate the essentially syndicalistic character of the organization, these further facts are proved unequivocally,—namely, that the I. W. W. is a flat failure, and, far from being the grim, brooding power which it has been pictured, is a body pathetically weak in membership, without consistent leadership, organically chaotic, and torn by apparent irreconcilable internal conflict resulting from a discrepancy of fundamental ideals. How really insignificant this wholly unstable organization is, may be shown by positive and comparative statements of its membership.

After eight years of agitation and organization effort, after a series of most spectacular contests, after unparalleled advertisement, after having shown the workers how easy a thing it is to "strike terror to the heart of capitalism," the I. W. W. showed a membership paid up to the national office for 1913 of 14,310. That is, it had paid up:

(1) less than one one-hundredth of the membership of the A. F. L.;

(2) less than one-sixtieth of the voters of the socialist ticket in 1912;

(3) less than one-twentieth of the membership of a single industrial union in the A. F. L.;

(4) less than six one-thousandths of the general body of organized American workmen;

(5) less than one in 2000 of American wage workers.

In short, the I. W. W., like all other attempted unions of an ultra-revolutionary character or based on some cut-and-dried theory, with a cut-and-dried scheme of organization and tactics, has failed to grip the imagination and to command the loyalty of American workingmen. Like all such experiments on American soil, it has been a flash in the pan, notable in this case chiefly for the excessive amount of smoke and noise. No doubt it has stimulated the action of its opponents; notably it has caused fear and stimulated thoughtfulness where thoughtfulness was needed, but as a positive, organic factor in the American labor movement it has proved itself an almost negligible factor.

After this brief survey the conclusion, so far as it concerns the problem of syndicalism in the United States, would seem to be obvious. But I am well aware that those who feel a vital, constitutional need for visualizing and magnifying such a problem will not abandon their beliefs merely on this showing of evidence. They will doubtless point to the undeniable growth of industrial unionism within the A. F. L. and to the many sporadic outbreaks of violent and predatory action with which the history of our labor movement has been checkered as indicating the development of syndicalism in spirit and action within American labor movement quite apart from any formal organization or teaching,—a great ground swell, they will say, carrying the whole movement onward toward the syndicalist bourne. But let us see whether these are really syndicalistic manifestations. I doubt it, and for these two reasons:

First, I venture to affirm that there is no more necessary connection between industrial unionism and syndicalism than between capitalism and monarchy. Industrial unionism on the face of it is merely an attempt to parallel capitalist organization. It is perfectly compatible with collective bargaining and with what we might call business unionism, as is illustrated by the case of the United Mine Workers. It is the ideal type of unionism advocated by the socialists. On the other hand, it may grow up

along with non-socialist political action, as in the A. F. L., where a strong tendency toward industrial organization has gone hand in hand with a robust development of legislative and political activity. Evidently, then, it indicates a hopeless confusion of ideas to identify syndicalism with industrial unionism, and is a misuse of reason to predicate the one as necessarily the result of the other. How then about union violence and predation? Do they show any necessary affinity between unionism and syndicalism? In order to answer this question correctly let us look for a moment at the most usual occasion for deliberate violence and predation on the part of old line unionists. It is a fact that almost any body of union men, whatever their principles and ordinary methods, and for that matter almost any body of workers, will tend to resort to violence and perhaps predation if they are face to face with systematic and long-continued aggression or are brought up against a blank wall of resistance to demands for the absolute essentials of a safe and decent existence, *provided there is no relief in sight through law or public opinion*. But the same is true of any body of men with red blood in their veins, or of women for that matter. Shall we then dissipate our concept of syndicalism by making it cover the action of the Boston Tea Party, the Ku Klux Klan, the Mexican revolutionists, and the militant suffragettes? Surely we must not confuse spasmodic outbreaks against specific oppression with direct action as the corollary of a fixed and general aversion to peaceful opportunist effort and political action. Only, then, when union violence and predation have been the outgrowth of a permanent aversion of this kind, or when such aversion has grown up with the violence and has become the fixed creed of a union, can we rightfully speak of them as syndicalistic in character.

But shall we nowhere find this permanent attitude outside of the I. W. W.? The A. R. U. was not adverse to political action; the W. F. M. has again joined forces with the A. F. L.; the Bridge and Structural Iron Workers apparently show no signs of going over to the syndicalist camp.

Must we not then conclude that in drawing of the I. W. W. into the picture in its proper character and proportion, we have pretty thoroughly disposed of syndicalism as a serious American problem?

So far, so good, but have we any assurance that we shall not

soon have to face a serious syndicalist problem in America? To satisfy ourselves on this point we should have to discuss our third question, namely, What are the causes of syndicalism, and what are the prospects of its future development? I shall not attempt to discuss this question fully but shall be content to make one or two suggestive statements indicating why syndicalism has not developed and is not likely to develop on American soil, and the conditions which would be necessary for its development here.

Successful trade unionism, as it exists in America today, is not a made-to-order affair; it is not imitative of anything to be found abroad, nor is it the objectification of any general social theory. It is a means, slowly forged by experience, of meeting the immediate needs and solving the immediate problems of the American workers. It has been developed by the trial-and-error method. It is experimental, opportunistic, pragmatic. And if you will look back over the past century and a quarter you will find that this is the only kind of labor organization that has survived and *worked* in this country. Even socialism, before it could make any successful appeal to American workmen, had to cut loose from the ultra-revolutionists, thrust its theories into the background, and develop a program for meeting immediate needs and problems.

The immediate reason for all this lies in the character of the organizing element of American workmen. The great mass of organized American workmen are not conscious revolutionists, but are optimistic opportunists. They want more here and now. Their attention is fixed on meeting immediate needs and solving immediate problems. They see hope ahead in a gradual improvement of existing conditions. They have little capacity for or patience with speculative theorizing. They are unwilling to leave the path which has been marked out by experience, with its slow but sure advance, to plunge into theoretically assumed shortcuts charted only by imagination. This is the general attitude of that portion of the American working class which has alone proved itself capable of sustained organic effort.

This attitude is the outcome partly of the racial character of American workmen, and partly of American economic and social conditions. The hardheaded, tradition-bound, empirical element predominates in our labor movement, just as it does in our business affairs, in law and politics, and in our social ideals and affairs generally, and this characteristic, perhaps racial, has been reinforced by the fact that the economic and social conditions have

for generations been such that the workers *could* see hope ahead in gradual betterment through constructive industrial and political action. The labor movement thus given character has assimilated and Americanized foreign accretions, just as in general we have assimilated and Americanized the immigrant, socially and politically.

It is true in the one case as in the other assimilation and transmutation have not been complete, but if our labor history has proved anything, as indicated especially by the career of the I. W. W., it is that those elements which have not been assimilated are incapable of consistent and effective organic union and action, and that the spasmodic organic efforts of such a body as the I. W. W. fail to check the growth and do not essentially modify the ideals and methods of the American and Americanized labor movement.

On account of all this there is no syndicalist problem of consequence in this country. We shall have none of consequence, I believe, unless and until the great organic American labor movement finds its way barred to empirical advance. It is now feeling its way toward the organizing of the unskilled, and will doubtless organize them as fast as the psychology of the situation will permit; it is advancing experimentally toward the industrial form of organization, as anyone must concede who is at all familiar with the organic history and the declarations of the A. F. L.; it is at the same time forging ahead on the line of political action as fast as tradition will safely allow; it is gradually overcoming the employers' claims of autocratic rights and establishing the principles and working rules of industrial democracy. Whenever it comes face to face with a blank wall of resistance in law and administration, whenever it encounters trusts and employers' associations bent upon its extermination, it is apt to adopt secret, violent, and predatory methods. But when the temporary occasion is past it quickly returns to its ordinary ideals and tactics. And if I read the character and spirit of the American labor movement aright, it would take a deal of useless battering against an impenetrable wall of legal and industrial resistance to create in the American labor movement the general psychology compatible with a real and robust development of syndicalism.

EARL DEAN HOWARD: My remarks are to be construed as laboratory notes on an experiment still in progress. If the ex-

periment should begin to show different reactions in the future, the conclusions might require revision.

The three last months of 1910 saw the men's clothing industry in Chicago completely tied up by a strike. The industry had been almost entirely unorganized. Hart, Schaffner & Marx, the largest manufacturers, signed an arbitration agreement for two years with the leaders, establishing a board of arbitration to hear grievances and granting a general advance of ten per cent in wages. During three years the experiment has encountered obstacles, the most serious of which was the expiration of the two years' agreement in April, 1913, but the scheme has survived them all and appears to be established now upon a basis that conserves more of the interests of both parties than any other we know. The garment workers are largely foreign born and most of them recent emigrants: Jews, Poles, Bohemians, Italians, Lithuanians, Roumanians, etc., and about in the order named. They are in general typical of the class to which this I. W. W. most successfully appeals. The results obtained from this three-year experiment must therefore be of value in establishing the significance of the I. W. W. movement.

Wherever there is large-scale production employing masses of unskilled or semi-skilled labor, there has been a complete separation of the employer and employee. The agents of the employer who come in direct contact with the people do not have the same interests and motives as the employer: even in the absence of any benevolent motives, the business sagacity of the employer is sufficient to maintain conditions which are usually not too grievous and exasperating to the worker. The agent has neither of these motives as a rule; furthermore, he lacks the complete authority to adjust grievances promptly and is inclined to shift responsibility.

One of our conclusions is that the usual cause of revolutionary outbreaks, turbulence, and acute dissatisfaction leading thereto is *unsettled* grievances. The patience of this class of workers with settled conditions, even though bad, is remarkable and it is exceedingly difficult to arouse them to protest against such conditions. However, let some new dispute arise, even over a comparatively trivial matter, and allow it to continue without adjustment, especially if it seems to the people to involve an injustice, and it will be easy to cause a general outbreak, even though the unsettled grievance touches only a small number of individuals. Once trouble is started, all other grievances, real and imaginary,

previously quiescent, are brought forward to reinforce the original unadjusted dispute.

The substitution of some agency to restore the lost contact between employer and employee, to adjust all complaints promptly, to oversee all changes of operation which may cause misunderstanding and trouble, to take charge of all discipline and of collective bargaining, and to deal with the people or their natural representatives, will go far toward preventing serious disturbances.

Contrary to the general opinion, this class of people, ignorant and unreasoning, have more respect for law and authority than some of the so-called higher classes. To prevent disturbances, it is necessary to have some impartial and disinterested authority to decide disputes on some principle of justice. The New York Cloak and Suit Protocol, the most significant experiment in the adjustment of the relations between employer and employee that is now being tested, has a very grave and remediable weakness at this point. The Board of Grievances has no power to settle disputes except by agreement, and the higher body, the Board of Arbitration, which has such power, is not organized to render prompt and inexpensive justice in minor disputes. The result is a very grave structural weakness which may seriously menace the whole experiment.

The I. W. W. movement has undoubtedly tended to bring closer together the employers and the leaders of organized labor; the greater the danger, the closer will become the alliance. Each side will endeavor to make itself more tolerable to the other in the presence of the common danger. The orthodox labor unions have a great vested interest in trade agreements and arbitration and have much to lose by revolutionary disturbances.

The only industries in which the I. W. W. has gained temporary acceptance are those neglected by the A. F. L., such as textiles, or where unionism has been repressed, as in mining. The A. F. L. has taken warning and is organizing the previously neglected industries. The employers may well reconsider whether repression of unionism, as in the steel industry, is not creating a social condition dangerous to the whole community.

A balky and vicious horse is frequently a horse previously abused; his protest and rebellion against abuse has become habitual. Lawless insurrection of the unorganized and vicious and violent practices of organized labor are likely to be the legitimate effects of the abuses of capitalistic power. Violence begets

violence. So long as the abuses of the capitalistic system are so extensive, is it not probable that in the abuses rather than in the system itself lies the disturbing cause? Revolutions come because evolutionary progress has been obstructed by some institutions which can be moved only by a general destructive force, sweeping away both good and bad together.

The failure of the I. W. W. to gain control in the strike of the men's clothing tailors in New York in 1913 is instructive. A great mass of ignorant people on strike, socialistically persuaded that the whole capitalistic system was an abomination, seemingly offered an inviting field, especially as these people had lost confidence in the higher officials of the Garment Workers' Union. My own observations under similar circumstances convince me that the Jew, even the excitable, socialistic Russian Jew, is hostile to the I. W. W. philosophy. He has too much respect for the bargaining and arbitrating systems in adjusting human relations and is fundamentally opposed to violent expropriation as a substitute therefor. A group of Jewish workers in an industry may prove a rock of defense against the encroachments of the I. W. W., provided this group is not incited by repression to make common cause with the I. W. W.

It has been generally assumed that the cause of discontent and a rebellious feeling on the part of the industrial masses is due to working conditions over which the industrial managers have more or less control—wages, hours, personal treatment of employees, working environment, sanitation, etc. May not this assumption be due to the fact that the visible protest of the workers is always directed against the employers in the form of a strike? The cause of unsatisfactory conditions of living seems to the worker to be low wages and the remedy seems to him to be higher wages. It is possible that the cause may lie just as much in conditions which surround the worker as a citizen and consumer: dirty streets, bad housing, expensive and inferior food and fuel, crowding of population, bad transportation, occasional unemployment, etc. Higher wages would undoubtedly enable the individual worker to escape from these conditions by moving to a different neighborhood, but is not the employer of labor a scapegoat for the sins of the community, and must he not bear the opprobrium and burden of the protest of the victim of these conditions which are really the result of bad politics, land monopoly, inefficiency of municipal services, uneconomic methods of commod-

ity distribution (particularly food), coal monopoly, badly regulated and greedy public service monopolies, unscientific currency laws, and in general of abuses and failures in the economic and political systems under which we live?

ROGER W. BABSON: Owing to the fact that Mr. Brooks's paper so largely quotes from me, I can perhaps best discuss it by explaining how, in my relation to capital, I can show sympathy with any unpopular social movements. To do this I must relate to those of you who do not already know just what and for whom my organization is working. This explanation may also make you realize that I am not talking from mere theory, but only after severe and expensive rubbing up against cold facts.

First, let me describe the three circles or areas drawn on the blackboard. These show how the great game of business is being played today.

In the center, there is the inner circle, so called, which stands for financial despotism, and which is endeavoring to hold its grip through welfare work, profit sharing, and other similar means. In this inner group are certain great banks, certain great newspapers, some manufacturers, a few merchants, and even some investors. The god of this group is money, and it really believes that money can and will accomplish anything. It looks only to what a man has got, irrespective of how he got it, or what he is doing with it.

On the outside, there are to be found the surging masses. It is not necessary in this paper for me to state what I think of this untrained surplus of humanity, or how I should handle it, excepting to say that in my humble opinion these people can be reached only through vocational training, supported by heavy inheritance taxes. The god of this group is their stomachs, and heretofore they have had only the knowledge learned through the sad lessons of depression, disease, and punishment.

Between the inner and outer circles there is a good-sized middle group which is honestly endeavoring to render service to the community and get paid therefor. This circle also contains certain banks, newspapers, as well as many worthy manufacturers and workmen. Now it is for this great middle group (of which I believe you men are a part) that my organization is fighting. But notice that this middle group is hemmed in by irresponsible wealth on one side, and irresponsible hunger on the other.

Secondly, let me say that in fighting for this middle group we learn a great many things. I wish it were possible for me to even hint at what we learn. I shouldn't dare tell you for fear of the incomplete stories which would go out through the press; and even if I did you would not believe that such things are possible.

In confirmation of Mr. Brooks's charges, let me say, however, that at this very moment as you sit here I have over one hundred employees who are studying reports which you men may not know exist; who are tracking bankers and big corporations in their secret negotiations with organized labor; and who are discovering the constant subsidizing of magazines, as well as of detective bureaus, teaching, and politics.

What do all these reports from all parts of the world teach me concerning syndicalism? Briefly, they teach that the statement of the case by Mr. Brooks is substantially correct. Such investigations teach that the salvation of this great middle group, for which we are fighting, depends among others upon three things:

1. Upon preventing this great outside group from being combined in one body either by irresponsible organized labor or by irresponsible organized religion. Hence anything which we believe will help curtail either, we cannot condemn. In other words, the salvation of this great middle group to which we all belong depends upon splitting organized labor and organized religion into two camps, and to the extent that the syndicalist movement may be needed to do this we must recognize its usefulness. All consumers who know when they are well off will fight with us. In fact, our only hope as consumers lies in splitting labor into different camps to bid against one another.

2. A second fact that my organization has learned shows that it is in the interests of the great middle group to have the irresponsible rich in the inner circle worried as much as possible. You can't raise money enough to bribe them; the law won't let us hang them; and between us the most effective treatment is to watch and worry them.

Now the syndicalists are doing this "to the queen's taste." To the extent that these poor ignorant syndicalists are worrying irresponsible wealth, the less time these men in the "charmed circle" will have to devise means for taking advantage of honest producers of labor, capital, and enterprise. This includes all the many engaged in creative work whether as loafers or borrowers, employers or workers, preachers or teachers.

3. Lastly, we have the important point Mr. Brooks has brought out,—namely, that syndicalism and real coöperation are bound to lead to the same goal. The reports which my organization are receiving from all over the world lead me to believe that there cannot long be two captains to the ship, as the American Federation of Labor pretends to believe, and as some good altruists who have spoken this morning apparently do believe at this moment.

Joint control is all very well to talk about, and a step in the right direction; but sooner or later there must be a real fight between inherited capital and creative ability. Today inherited capital rules; but it is in the interest of those in the middle group to have the aristocracy of inherited wealth dethroned, and an aristocracy of creative ability installed in its place. This is the fight of the syndicalists.

Don't fear. The syndicalists will never win any more than did poor old John Brown and his men sixty years ago; but like John Brown and his noble band, they, the syndicalists, may be blazing the way so that some day your children and mine will be judged according to what they really are and by what they do and not according to how many stock certificates they have inherited from a great-grandfather.

Hence, in closing let me again say that I fully endorse the fundamentals of Mr. Brooks's paper. Whether considered in connection with our relation to either the inner circle of irresponsible wealth or to the outer circle of irresponsible voters, the syndicalists may, if they survive, render us in this middle group a great service. When thinking of these poor fellows, I am always reminded of the words of our Master, who once said something about "Who-soever saveth his life shall lose it," and then later, "Except a grain of wheat fall to the ground and perish, it shall"—well, you know the rest.

Let us ask ourselves if the syndicalists may not be performing the same function in the community as the fire alarm of a country village. There is nothing creative about a fire-alarm system. It may ring, ring, ring, and the fire burn, burn, burn; but it arouses the people who go out and unitedly fight the fire, and in saving their brother's property they save their own.

May not these syndicalists wake the world up to the realization that the problems cannot be solved through socialism, communism, laissez-faireism, commissionism, or the regulation-of-

everythingism; but only through a creative educational system which will train all men, whether in the inner, the middle, or the outer circle, to seek the things worth while?

As President Kinley and Professor Ely suggested last night the intellect is only the superstructure; there must be pillars of industry with foundations of righteousness.

F. S. DEIBLER: There are three criticisms I would make on this paper. But my criticisms are not intended to detract from the credit due Mr. Brooks for the service that he has rendered in this paper, as well as in his recent book, *American Syndicalism*, by setting forth in a sympathetic but judicious tone the broad, social aspects of this new phase of the labor movement. I have in mind only to indicate at what points, as it appears to me, his treatment fails to convey an accurate picture of the movement. If syndicalism constitutes a problem, or if it strikes at serious evils in existing economic conditions, the facts should be clearly and accurately stated. Not much progress can be made in solving social problems, or in readjusting the social and economic policies of a state, until the essential nature of the problems to be treated is well understood.

With this rule as a guide, I would say, first, that Mr. Brooks does not give in this paper sufficient information concerning the causes of syndicalism. If syndicalism is an inevitable result of the inherent nature of the wage system, then the method of procedure should take the form of a fundamental reconstruction that would supplant that system. But if it is simply an outgrowth of the present operation of that system, perhaps such readjustments can be made as will furnish labor the protection and justice which the syndicalist so much desires. If, however, it is the result of the aberration of the restless spirits in the community, or the contest of the "outs against the ins," perhaps judicious social control and time will bring all the change that is necessary. It is not my intention to undertake the task of developing the causes for syndicalism in the time at my disposal, but a brief resumé will assist in presenting my viewpoint.

When we reflect that fifty years ago the prevailing economic doctrine was one of individualism, and that there existed at that time large areas of undeveloped public lands, which constantly drained off the surplus labor; and when we remember that in the interval this land has passed almost completely under cultivation

and private ownership, and that as a nation we are becoming relatively industrial, as distinguished from agricultural, we can understand, I think, why, on the one hand, those who have benefited by the economic conditions of the past give up grudgingly the old economic philosophy, and look with disfavor on anything that is in the nature of an attack on existing conditions or tends in the direction of collectivism. On the other hand, we can understand why those who have been cut off from the opportunities that flow from access to natural resources, and who have felt the injustice of these changes, have become discontented with existing conditions and have demanded in no uncertain terms that the evils be remedied. Their protests have been vigorous, because they themselves are vigorous and ambitious members of the community. Social discontent can be accounted for by the economic changes which I have here briefly summarized. My own impression is that syndicalism is only the more radical and extreme expression of the social discontent that accompanies the economic changes of a dynamic age.

Not all of those who protest against modern conditions can be classed as syndicalists. Some of the most scathing criticisms of modern industry and industrial methods come from the pens of labor leaders, who would resent vigorously being classed as syndicalists. Again, you can find among union officials some who in their way are as class conscious as any socialist or syndicalist, and yet who are as bitter toward these as toward the employer.

My second criticism is that the paper does not adequately discriminate between these three groups in whose ranks economic changes have been most keenly felt and discontent most vigorously expressed. The differences between the syndicalist, the socialist, and the trade unionist is one of methods and of ultimate aims for the removal of the injustices which they are now compelled to endure.

My third criticism is that Mr. Brooks has overstated the importance of the movement. This certainly is true if the I. W. W. is to be taken as the sole representative of syndicalism in this country. I say this with the full knowledge of the disturbance which a small group may cause, especially when it is guided by strong personalities, who take advantage of times of contest to make their appeal to class prejudice and class heroism. As an organization the I. W. W. is certainly not a very formidable body. Nor is there any evidence of immediate development of

real strength. The labor movement has repeatedly shown examples of organizations which have attempted to build on too ambitious a scale. Such attempts have invariably resulted in failure. If the history of the labor movement teaches any lesson, it is that effective organization is necessary for the protection of the rights of the workmen. Effective organization requires, among other things, a strong centralized authority; it requires skill and experience on the part of the officials, which can be secured only as the result of long tenure in office; and it requires a well developed financial system. Tested by these standards, the I. W. W. holds little of hope for the workmen. Its leaders apparently lack historical perspective. They seem not to understand that social institutions are the result of a long process of social evolution and adaptation and that any radical change without a well developed program of social reconstruction would lead to social chaos. If by any accident the I. W. W. were to attain its demands, neither its method nor its program holds much assurance that the new state would not be worse than the first.

However, I am in hearty accord with Mr. Brooks in the view expressed that we should listen with open-mindedness to the protests of the syndicalists. A policy of oppression would result in creating martyrs out of many misguided individuals, and it would become increasingly difficult to separate the wheat from the chaff in their demands in the name of labor. If the evils of the present economic conditions require a complete social and economic reconstruction, then the socialist program holds much more of assurance than does syndicalism. The socialist program does contain the outline of a constructive plan, which, it is conceivable, might evolve out of present institutions. Not so with syndicalism. The most that can be expected from syndicalism is that, through its spectacular methods and emotional protests, the public conscience will be aroused more quickly to a recognition of the existence of economic injustices.

I am of the opinion that we are making progress toward collectivism just as fast as we can wisely handle the problems which such reorganization will necessitate. Where we have already extended social control, we have a big problem in developing administrative machinery and a public conscience that will make that control effective. The complexities of modern economic and social problems require a high degree of specialized and technical knowledge. This expert knowledge can be brought to bear

on the administration of social policies only as the need for it becomes generally recognized, and as trained men with high ideals of social service are willing to go into this work as a life profession. The movement toward more democratic control of our social institutions, and the demand for the curbing of special privileges of all kinds, together with the development of a higher sense of statesmanship and social service, will do more toward protecting the rights of labor and in removing the injustices of the present conditions than can be hoped from syndicalism in its present form.

G. W. NOYES: That no society, whatever its form, can permanently succeed without maintaining an adjustment of consumption to production is axiomatic. In the world today this adjustment is brought about by competition, involving the existence of a marginal class, the weaker members of which are unable at times to obtain even the necessities of life. I apprehend that the fundamental weakness of syndicalism will be found in the fact that by removing competition, and abolishing the marginal class, it breaks down the force which, hard though it is on certain individuals, now performs for society the vital function of counteracting the inherent tendency of consumption to outrun production.

But the existing form of society, with the growth of democracy, is rapidly tending toward the same situation. A minimum wage, state regulation of industry, sickness and unemployment insurance, old age pensions,—these are but steps in a comprehensive legislative program by which society is undertaking to guarantee the economic welfare of all its members. This program, if carried to its logical conclusion, will, like syndicalism, eliminate competition, and remove the force which now insures to society as a whole a surplus product.

Under democratic control the only conceivable force, which in the absence of competition can maintain a constant adjustment between consumption and production, is, as Mr. Babson suggests, education. That social group which first and best establishes an educational system that develops the qualities of voluntary industry and self-restraint, will in spite of all its rivals completely dominate the future.

J. E. LE ROSSIGNOL: I should like to call attention to an ex-

traordinary development of syndicalism in New Zealand, which Professor Hammond has briefly mentioned in his paper. It seems to have been introduced into that country from two sources: from Australia, where Tom Mann was very active for some years, and from the United States, through the efforts of "Professor" W. T. Mills, of Milwaukee, and other agents of the I. W. W.

The chief syndicalist organization in New Zealand is the New Zealand Federation of Labour, commonly called the "Red Fed," a revolutionary body, opposed to industrial arbitration, repudiating agreements, and advocating sabotage and the general strike. This organization had much to do with the Waihi strike of May 15 to November 30, 1912, which was finally broken down, largely through the formation of new unions registered under the Arbitration Act, which the strikers designated as "scab unions." As the Waihi Miners Union had canceled its registration under the act, the strike was not illegal.

Since that time the "Red Fed" officials have been very active in spreading syndicalist doctrines and in preaching the social revolution. They were evidently awaiting a good opportunity to call a general strike, and this presented itself toward the end of October, 1913. On October 17 the shipwrights of Wellington asked for an increase in wages; and, when this was refused, they ceased work. On October 22 the Waterside Workers Union held a sympathetic meeting on the wharf during working hours; and when, two hours later, they returned to work, they found their places filled by other union laborers. The Union demanded that the "stop-work" men be immediately reinstated in their positions; and when the employers refused, alleging that a breach of agreement had been committed, a strike was called, the control of which was handed over to the "Red Fed."

From this small beginning, the trouble spread rapidly, with mass meetings on the wharves, picketing, intimidation, strikes of waterside workers in other seaports, strikes of coal miners and seamen, and considerable violence, culminating on November 5 in a serious battle in Wellington between a thousand special policemen and a mob of strikers and their sympathizers. Many of these "specials" were farmers who came down to break up the strike so that their mutton, wool, and other products might be shipped.

On Monday, November 10, the "Federation" called a general

strike, and thousands of laborers in various parts of the Dominion responded to the call, although by far the greater number disobeyed. In Auckland alone about 5000 laborers came out, including waterside workers, carters, hotel and restaurant workers, timber workers, furniture workers, carpenters, tinsmiths, certificated engineers, painters, and general laborers. Presently, however, the strike began to weaken, for several causes, among which should be mentioned the suppression of violence by the government, with the aid of special police, and the formation of new unions of free laborers registered under the Arbitration Act. By November 29 the new Waterside Workers Union of Wellington numbered about 1600 men, including many of the former strikers, and the loading and unloading of ships was going on much as before the strike.

It should be noted that many of the chief labor leaders, as the Hon. J. Barr, the Hon. J. T. Paul, and Mr. J. Reardon, made strong declarations against the strike. The United Labour Party issued a manifesto denouncing the "Red Fed," opposing the general strike, and declaring for constitutional methods. By the latest papers, dated December 5, it appears that shipping operations were going on actively at all ports, although the strike was still on, and there was some trouble at Australian ports about the unloading of ships coming from New Zealand.

CHRISTOPHER EASTON: It appears to me that most of the preceding speakers have attempted to analyze a spiritual movement by scientific methods. The movement has an economic side, and a very vulnerable one, and it would have been better, I think, for an Association of this character to have confined the discussion to this side of the movement instead of attempting to measure the force of the movement as a whole. To measure the strength of the I. W. W. by its paid-up membership, as one of the speakers did, is absurd, especially when one considers the fact that the majority of the members of that organization are without steady employment and many of them are in jail. Suppose the measure of paid-up membership had been applied to the groups that met in the catacombs in Rome in the first century!

An expression of feeling may be out of place in an assemblage of this kind, but sometimes a question like this will come home to one in a personal way that compels doubt as to the wisdom of the harsh measures applied to the I. W. W. and apparently upheld by this body. A few years ago there was a likeable young

man working for one of the large corporations in New York who was being promoted and had excellent chances of a successful business career. I knew this young man very well. He left his good position at the call of the *Wanderlust* and after several years of travelling around the country joined the Mexican revolutionists. When the Madero revolution was over he joined the I. W. W. and has had much experience with jails since. In fact, he is a hunted man, with whom I have to communicate indirectly. His splendid constitution has been broken down by the "third degree," but still he sticks by his friends and a hopeless cause.

Now this movement may blow over. Certainly the forces of law and order must triumph in the end over a principle lacking cohesiveness. Yet the movement will leave a mark upon the day we are living in and it does not behoove us to make light of it or to lose sight of the human side of it. It will probably work out in the direction of modifying a too centralized collectivism.

W. J. TRIMBLE: Syndicalism, so-called, or the I. W. W. movement, is simply one symptom of the vast social unrest abroad in the United States in our time. This unrest is peculiarly marked in the case of the wage-earning and salaried classes, who have no ownership of natural resources, and their unrest is acute because of the perception that opportunities are fewer than in the past. It is becoming less and less possible for a man to *step out of his class*; if he rises at all in the future it will have to be generally as a member of his class. The old opportunities for initiative are vanishing.

Our nation, in fact, is passing through a fundamental process of adjustment—the most far-reaching and the most compelling in its history. Back of most of the problems which we are facing is the fact that *we are passing from a free land era to a restricted land era*.

We have not yet adjusted ourselves to the new conditions. Men with the individualistic instincts of the past age shrink from the limitations of a comparatively fixed order. Consequently, we have widespread trepidation, questioning, alarm, tumult, unorganization. We know not in reality whither we are tending.

Knowledge of the limitation of our natural resources may lead, however, to better organization for the good of all our people. The passing of the public lands, together with political equality and modern means of communication and enlightenment, may result in a great step forward in *industrial democracy*.

RECENT TRUST DECISIONS AND BUSINESS

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Dissolution of several giant combinations by court decree, though perhaps the most dramatic circumstance in recent trust history, is by no means the only important one. Court decisions during the past two or three years have raised many other questions than the question of dissolution, and the record in pending litigation is still adding to the number. Besides this, important reports of the Bureau of Corporations and other branches of the government have collected and disseminated material facts previously unavailable. Finally, discussion of the question is gradually being focused around specific legislative proposals, based for the most part on assumptions concerning trust efficiency quite different from the views current at an earlier date. From all this a new stage in the evolution of the trust question is easily recognized.

Neither the time available for the preparation of this paper, nor the author's previous study of the subject justify an attempt to present significant new material. The paper, therefore, will be directed primarily toward an effort to set forth, as the author sees them, some of the current phases of the question, and if possible to suggest profitable lines of further inquiry.

Considered from the standpoint of immediate effects, the topic of the session has to do, among other things, with the possible connection between government trust activity and the present situation in business. Accepting the current belief that there is at present a depression in business of whatever degree of seriousness, how much of the situation may fairly be credited to the attitude of the government, and of this in turn what part is attributable to the activity of the Department of Justice and the courts? Unquestionably, during the past year, the prospect of tariff and currency legislation, added to the uncertainty of developments concerning trusts, have tended to postpone the inauguration of extensive new enterprises. However wholesome the ultimate effects of new legislation or decisions of the courts, it is quite obvious that, as a psychological influence, changes in the governmental situation may have a large part in bringing on a depression for which conditions are ripe. Even if we should accept

the "Wall Street push-button theory" of panics, the psychological element would be none the less present, though operating along other than the traditionally accepted lines.

To the extent that a composite view of the business mind can be secured, it seems to reveal hopefulness with respect to the currency and readiness to make adjustments to the new tariff. Indications are not lacking, however, that this attitude is based in part on an assumption that the activity of the Department of Justice with respect to trusts is to be considerably diminished.

A feeling that the Attorney General has it in his power to hale into court representatives of business enterprises covering a wide range of activity is clearly a circumstance which affects many interests other than those directly subject to attack. It is not difficult, moreover, to hear it asserted with reference to particular cases that the activity of the department of justice is or has been largely a matter of individual caprice or political hazard. In view of such inferences, the discretion exercised by the Attorney General and the manner of its exercise becomes an important factor in the discussion.

The Sherman anti-trust law, in contrast to many of the state anti-trust laws, is expressed in general terms. It declares illegal the contracting, combining, or conspiring to restrain trade or commerce among the states or with foreign nations, and the monopolizing or attempting, combining, or conspiring to monopolize any part of such trade or commerce. In deciding whether these offenses have been committed, the courts, and before them the Department of Justice, have to face essentially two questions: (1) Do the facts as they appear in the particular case show a combination which by its very existence constitutes monopoly or restraint of trade? (2) Do the facts point to conduct on the part of individuals or corporate bodies which indicates a purpose to do the things which the act enjoins?

The second sort of consideration involves not primarily the question of illegal combination, but rather the question of what constitutes unfair and illegal competition. Beginning with the Standard Oil and Tobacco cases, decisions up to the present have hinged largely on specific acts of restraint and particular methods of exercising economic power. Practices resorted to by a large industrial unit in competition with smaller units or in averting potential competition have contained the crucial points. The following are some of the specific questions, several of which are

likely to be presented to the Attorney General in a single *prima facie* case.

Is it permissible for manufacturers or distributors to pool their interests, and by means of lists or trade letters essentially to boycott dealers who handle outside competitive products or who violate restrictions concerning retail price? Is it legal to maintain a system of espionage on competitors? Are there any restrictions on the right of a concern to employ competitors' servants when circumstances indicate a well-defined policy of using this method to obtain competitive trade secrets and to drive the competitor out of business? What are the limits of control to be exercised by the holder of a patent over the patented article and its accessories? To what extent and under what forms may the makers of brands and trade-mark goods coerce the distributors of their products? May the manufacturers of a group of commodities, some competitive and some non-competitive, compel dealers to handle exclusively their competitive products as a condition of securing the monopoly product? Is it legitimate for a large corporation to fix an unremunerative price in the territory of a local competitor when circumstances point to a purpose of eliminating the competitor from the field? May the integration of an industry be accomplished or attempted by using monopoly returns in one branch of the industry to support rate wars with the purpose of destroying competition in another branch? May controlled companies be run as independents?

It is quite clear that some one of these questions, usually several of them, have been involved in most of the recent cases passed upon by federal courts, and they clearly contain the gravamen of charges in several other cases now pending. Competitive methods are notably in the foreground in the *Cash Register* case, the *Bathtub* case, the *United Shoe Machinery* case, and in the *Oil and Tobacco* cases.

Chief Justice White, speaking for the Supreme Court, has set forth in forcible language in the *Tobacco* case the influence of specific acts in bringing the Court to the decision reached in that case. Using the language of the Court:

The history of the combinations is so replete with the doing of acts which it was the obvious purpose of the statute to forbid, so demonstrative of the existence from the beginning of a purpose to acquire dominion and control of the tobacco trade, not by the mere exertion of the ordinary right to contract and to trade, but by methods devised in order to monopolize the trade by driving competitors out of business, which were ruthlessly carried out upon

the assumption that to work upon the fears or play upon the cupidity of competitors would make success possible. We say these conclusions are inevitable, not because of the vast amount of property aggregated by the combination, not because alone of the many corporations which the proof shows were united by resort to one device or another. Again, not alone because of the dominion and control over the tobacco trade which actually exists, but because we think the conclusion of wrongful purpose and illegal combination is overwhelmingly established by the following considerations: [The opinion then proceeded to specify among other things several acts of the sort above enumerated.]

Conceding the wide discretion of the Attorney General, it may fairly be questioned whether, with due regard to his oath of office, he can in the future safely omit to take cognizance of specific acts of *prima facie* violation when the courts already have established the illegality of similar practices. Whenever the fact of combination is complicated by evidence of unfair and coercive methods, then at least the burden of responsibility for securing business peace must rest squarely on defendants.

Admitting the Attorney General's power in many cases to prosecute or not to prosecute, as well as the possibility that political considerations may enter into particular cases, it is doubtless still true that the enforcement of the Sherman law, in the main, has had, and still has, a patriotic and beneficial purpose.

If a diminution of activity by the Department of Justice should mean delay in clarifying the legal standards governing competition, this, from the business standpoint, could scarcely be regarded as a beneficent result. Without reference to the merits of the Administration view concerning the efficacy of competition, the serious need of a definition for fair competition is clear,—a definition which will promote rivalry based on the relative efficiency of different economic units, and eliminate rivalry based on brute force.

There is some analogy between the law of fair and unfair competition and the law of fraud. Notwithstanding border-line cases with reference to which it is impossible to say categorically that a certain procedure does or does not constitute fraud, an attorney is able to advise his client with a fair degree of assurance what constitutes a fraudulent procedure,—with reference to fraud there is a comprehensive body of law. This, though highly in the interest of business stability, is not yet the case with reference to unfair competition.

Whatever the disturbing influence of agitation the question of unfair competition ought to be settled with as little delay as

practicable. Whether it is dealt with by the legislature or by the courts, it is quite clear that it never can be settled as long as practices which the public conscience condemns are tolerated.

Dissolution of trusts presents an essentially different problem from those just considered. In the Oil and Tobacco cases the improbability of otherwise being able to terminate unfair methods explains why dissolution was ordered. Dissolution *per se* raises at once, among other things, the question of the relative efficiency of trusts considered from the long-time view and with respect to every aspect of the particular line of business concerned.

In approaching this phase of the topic it should be made clear at the outset that the discussion has to do with efficiency in the productive rather than the acquisitive sense. Productive efficiency, moreover, needs to be defined in terms broad enough to include, not only the making and distributing of goods to satisfy existing wants, but also considerations of permanent national productivity and well-being.

At the time the great industrial trusts were being formed, it was widely assumed that, whatever the dangers they might entail, they surely would be able to make and distribute goods more economically than smaller units of production. It should be noted, however, that this view met with no uniform acceptance by economists. Professor Bullock, in his article entitled "Trust Literature: Survey and Criticism,"¹ published in 1901, submitted, in a masterly analysis, reasons for skepticism concerning trust efficiency which require surprisingly little revision today.

Considering the history of trusts during the last decade, it is still worth while to introduce a discussion of their efficiency by the question, "Why were the trusts organized?" There is no doubt that the kind of competition which had obtained in many industries during the late eighties and nineties had been exceedingly wasteful and destructive. On the other hand, court records, government reports, and a mass of other public data make it hardly necessary to point out that producing and distributing efficiency was largely an afterthought in connection with trust formation. It appears quite obvious that the two impelling forces—one or both of which really explain the launching of the great industrial trusts—were *market control* and the *profits of organization*.

¹ *Quart. Jour. Econ.*, vol. XV, Feb. 1901. Reprinted in Ripley, W. Z., *Trusts, Pools and Corporations*.

The security market at the beginning of the present century, the corporation law of New Jersey, and knowledge in the use of cut-throat competition were circumstances peculiarly favorable to the pursuit of these objects. Returns in the form of promoters' and syndicate managers' profits to be secured from the creation and flotation of new securities were an all-sufficient incentive for bringing enterprises together and organizing them into a trust. Inasmuch as securities based on hopes which in turn were based on prospective market control could easily be marketed, it was possible to pay prices for good plants which no former earning power would have justified and to bring other plants into subjection. Immediate incentive in some cases, compulsion in other cases, was sufficient to bring about a sale, the terms of which bore but secondary relation to past or future earnings from operation.

Admitting that the situation just described gave most of the trusts at the start a handicap of heavy obligations and expensive and inefficient plants, the real question today is, "Have they made good since that time?" What criteria are available by which their efficiency can be ascertained?

For the steel trust the Bureau of Corporations has made an approach to the question of efficiency through an analysis of costs. The significance of these figures is disputed, but so far as I am aware no specific criticism of them has been put forth in such a way as to contain affirmative evidence of superior efficiency.

The Bureau report shows also what is well known, that the steel trust during the period of its existence has been able to put market value under a large part of the water in its original capitalization. Obviously, other factors than the economical production of steel influence this showing. There are no figures which would justify an attempt to evaluate these other factors, but control of ore and market control have figured largely.

With reference to ore, some of the control has now been relinquished, but for the period as a whole the ore position has been a strong asset. If it were possible to conceive a government policy which regarded ore deposits as public property to be utilized and developed exclusively for the general welfare, would the corporation have been able to occupy such a favorable position? The difficulty of a categorical answer to such a question does not make it the less a fair one.

With reference to market control, there are conditions under

which this might enhance productive efficiency in the national sense, notably if it prevented reckless overproduction or cut-throat competition,—what is called demoralization of trade. One of the acts of the Steel Corporation concerning which there is a large weight of favorable opinion is its policy of maintaining prices just after the panic of 1907. If comparison were made with an earlier period of recurring pools followed by reckless competition, when steel was spoken of as intermittently “prince” or “pauper,” it might be argued that market stability in iron and steel could be accomplished only through the trust.

Business men in and out of trusts unquestionably are coming to feel that price maintenance with reference to certain aspects of trade is a highly desirable policy. While, from the public standpoint, there clearly are indications that this form of coöperation, even in the absence of a formal pool, frequently goes far beyond legitimate market needs, it probably will be found desirable in working out future policy with respect to competition to permit open—not secret—price maintenance under proper restrictions when situations so demand. The very fact, however, that men are coming more and more to this view, raises serious question whether, even in iron and steel, either a trust or a pool will be necessary in the future to accomplish the needed result.

The action with respect to steel prices after 1907 represents, of course, merely a “standing pat” on permanent policy. The serious questions surrounding this policy when regarded as permanent and the disquieting rumor that the policy narrowly escaped abandonment at the very time the public occasion for its maintenance arose create grave doubt whether in general, or in emergencies like 1907, a trust in the long run will prove the safest conservator of business stability.

Admitting, without prejudice to opposite contention, some merit in a policy of price maintenance, its success in the case of steel would seem to rest on factors which have little to do with corporation efficiency. The tariff has continued, up to the present year, to protect from foreign competition; overlapping ownership with railroads, the largest purchasers of steel, has created in some measure community of interest between buyers and sellers scarcely favorable to price depression; most important of all, the period during which the steel trust has been in operation has been one peculiarly of unprecedented demand for steel products,—a demand

which only roughly could have been anticipated at the time the United States Steel Corporation was organized.

Concluding this line of argument, if we accept that the advance in steel securities is due to the control of ore and control of market, and if it can be shown that the success of these policies, whatever their merit or demerit on public grounds, is not necessarily related to any economies in making and distributing steel, it becomes quite clear that advance in securities shows nothing concerning the relative efficiency of the trust.

There are other figures and other ways in which they might be connected with the general subject of efficiency, but it may seriously be questioned whether there are any figures available from which affirmative mathematical evidence of the steel trust's superior efficiency could be shown.

The factors to be considered in other industries obviously would not be exactly the same as for steel. In a so-called horizontal combination made up merely of similar plants the situation would be less complex. It is perhaps clear that the study of each sort of business presents its own difficulties and that conclusions concerning efficiency must be, in every case, specific rather than general. This, however, merely emphasizes the complicated nature of the general problem and the necessity of further specification before any assumptions of superior efficiency can be accepted.

Among the chief economies of combination which are set forth in general terms are the better utilization of men, machines, and materials, saving from by-products, comparison of methods and results in different plants, eliminating sales costs, facilities in pushing foreign trade. Some of these items are perhaps not capable of representation in comparative cost sheets, but some of them which are such, for example sales costs of farm machinery, do not appear as economies in those combinations where they would naturally be expected.

All of the above items are so obviously conditioned by the nature of the particular business, that, except as discussion is based on a cost showing of individual concerns, very little progress can be made by discussing them in general terms. In connection with all of them, however, it is plain that the protagonists of combination still fail to distinguish between combination and large-scale business as much as they did a dozen years ago when

Professor Bullock, in the article above cited, criticized them on this ground. It has scarcely been shown that the theoretical advantages of trusts, except those which raise negative presumptions on grounds of public policy, might not have been secured by much smaller units.

Quite obviously, business in this country is likely to be carried on in the future, to a great extent, in large units; but this is by no means equivalent to asserting that the trust form of organization will be a dominant factor. Both economic theory and practical experience in production have established the law of diminishing returns with respect to plant size. When, however, the point of maximum plant productivity has been reached, it may be possible to combine ten plants into a single organization and still achieve notable economies with respect to the distribution of product. Economies of a legitimate sort in the business or financial organization of a concern may also be realized by such combination.

Accepting, however, the distinction between plant efficiency and corporation efficiency, is it reasonable to suppose that combination of plants can go on indefinitely without experiencing disadvantages similar to those which appear with increase in the size of plant; or, if this is true, does it necessarily indicate that there would still be a balance of advantage from the integration of a whole industry by bringing together allied and subsidiary enterprises in a consolidated concern?

The testimony of persons whose familiarity with industrial organization merits respect indicates that when combination is carried too far there are dangers, at least, of an administrative nature which might be grouped under the two heads of *cumbersomeness* and *stagnation*. One line of theoretical argument against monopoly combinations which, so far as I am aware, has never been adequately answered, is the contention that an assured monopoly control in an industry will inevitably discourage enterprise.

In the tobacco industry there is now evidence of active competition along certain lines. The testimony of a person who perhaps more than any other is familiar with details of organization in that industry indicates that the younger men in the different organizations regard dissolution distinctly with favor. They find they are nearer the center of things and that therefore their enterprise and individual efficiency meets with greater re-

sponse.² Is this perhaps a side light on the argument that trusts engender stagnation?

A detailed history of inventions, with a parallel record of those to be credited respectively to trusts and to independents in the same line of trade, would be of interest in this connection; or, again, a comparison with foreign countries where the same industries have not been directly affected by trusts. While it is easy to point to significant contributions of particular trusts along the line of invention, there is a widespread belief that the trusts tend to stifle the utilization of new inventions and processes. Obviously the showing in this regard for the short period under consideration would prove nothing with reference to the permanent influence of combinations.

As to the charge of cumbersomeness, there are here and there indications that, even in the absence of government activity, some of the trusts are trying to readjust their business in such a way as to break up organization and operating control into smaller units. One of the reasons given on creditable testimony for the lack of disturbance in the oil and tobacco industries as result of dissolution, was that disintegration proceeded along lines already contemplated by those organizations in the interest of greater efficiency.³

Uniformity in corporation law; a greater responsibility to stockholders on the part of corporation officers and directors; regulation of transactions in which men as promoters and syndicate managers do business with themselves as the officers of corporations; elimination of unfair competition;—these are reforms

² On the other side, it is to be noted that one effect of dissolution has been to necessitate enormous expenditure for building up a demand for paying brands, —this due to the fact that by the dissolution proceedings some of the companies were left without such brands.

³ Some writers have emphasized, as does Professor Bullock (*loc. cit.*, p. 199), the extraordinary legal and organization expenses which combinations incur. He speaks of the "cost of employing the most skilled legal talent to steer the combination just close enough to the law;" also of the "expenses necessary for 'legislative' and 'educational' purposes and the outlays for stifling competition or the continual 'buying out' of would-be rivals." If coercive methods and unfair competition are separately considered as above, it is scarcely permissible, in considering relative productivity, to feature too strongly handicaps of this sort. When we contend for the elimination of all combination advantages to which negative presumptions attach on grounds of public policy, we must also be ready to eliminate possible disadvantages which would disappear were the practices of combinations made to conform to the public good.

admittedly long overdue. Without necessarily agreeing with those who contend that the timely enactment of these measures would have prevented the trust movement, it is still reasonable to maintain that in the absence of other causes than efficiency trusts could not have reached anything like their present strength.

Conceding that the superior efficiency of combinations has not been established, what are the prospects that our present knowledge could, within a reasonable period of time, be so supplemented by further investigation as substantially to increase the assurance with which the subject could be handled?

Existing reports of the Bureau of Corporations have given us an enormous mass of information concerning trusts. Their great contribution in outlining and forecasting methods of investigation is universally recognized. It is still clear, however, that the inquiries of the Bureau have one great drawback. If the same ability and training which have gone into these reports could have been organized in such a way as to command an authority like that of the Interstate Commerce Commission, the influence of the reports on the trust situation would have been tremendously enhanced.

The actual carrying out of inquiries, as well as the later phases of their organization, has usually been under the supervision of some one person. This is a normal procedure, and while apparently it has not discouraged the coöperation of the whole Bureau force in developing scientific methods of approach, it has, however, tended to identify each of the reports with an individual. Rightly or wrongly, interested persons have felt that they could safely question specific findings, provided they were able to give plausible reasons for their objections. The complexity of subject matter is well calculated to confuse persons whose interest does not bring them in direct contact with the facts. All of these circumstances makes it desirable that the government body which carries on investigation of this sort should, by its formal organization and the dignity of its position, command the greatest possible authority not only with students but with the general public.

The Commissioner of Corporations has proposed a further inquiry into trust efficiency. Is this practicable on general principles? and if so, has the Commissioner at his disposal, or is he likely to have, the instrumentalities by which a comprehensive study of efficiency could be undertaken? It is not within the province of this paper to outline the scope and method of such

an investigation. Obviously, there would be much greater difficulty in providing for the inquiry a basis of uniform, or at least standard, accounts than has confronted the Interstate Commerce Commission in prescribing uniform accounting for the railroads. However, if some board or trade commission, occupying a position in the public esteem like that of the Interstate Commerce Commission, were to lay down the lines which an inquiry should take and prescribe its methods, the results, as far as they went, would command general acceptance.

Even a temporary commission *ad hoc*, if the training and personality of its members carried weight, might obtain a similar result. Under such conditions, it seems reasonable to suppose that an investigation might be carried on which would supplement existing reports, cover industries not yet investigated, and add materially to our knowledge of trust efficiency. The value of a comprehensive study undertaken now would be enhanced by the fact that some of the dissolved trusts could figure in any comparison made. Considering the magnitude of such a study there is ground for skepticism whether Congress would readily appropriate sufficient funds. It is also doubtful whether the work could be completed within the limits of a single Presidential term.

Less comprehensive inquiries by the Bureau unaided, if the reports were individually well managed, would be valuable, as past reports have been, but it is not to be expected that they would result in any epoch-making addition to our knowledge of trust efficiency.

If the whole truth could be revealed it probably would show for each industry investigated some items in which the advantage would be on the side of trusts, while in others combination would mean loss. The extent to which such items could be shown in balanced parallel columns would vary both with the industry and the specific items. Obviously, no inquiry would lead to uniformity of net results for different industries.

We already have come to accept monopoly as the normal and economical condition in the so-called public service enterprises. None of the arguments against trust efficiency have tended seriously to undermine this assumption. If it is true that some industries can advantageously be carried on as complete monopolies, others in very large units, and still others in smaller units, investigation, if it has the effect of moderating the policy of dissolution pending further knowledge, may possibly serve to prevent the

breaking up of combinations which are economically and politically justified. Obviously, it is no inconsistency to look with favor on an effort to dissolve a combination like the tobacco trust and at the same time to be extremely skeptical about the result of dissolving the so-called telephone and telegraph trust.

In introducing the discussion of efficiency, emphasis was laid on the necessity of considering efficiency in the productive, rather than the acquisitive, sense; also upon the necessity of defining productive efficiency with reference to permanent national productivity and well-being. The most cursory consideration of a highly integrated industry like iron and steel, in which trust influence is carried through every intermediate process from raw material to a great variety of finished products, reveals such stupendous problems affecting both resources and men that the efficiency of the trust at every turn is interwoven with questions of public policy. Other trusts, perhaps in less measure, present a similar situation.

Relative efficiency, then, can only partially be revealed by any sort of formal investigation; if it were revealed there would still remain questions of law and policy upon which, in the last analysis, the perpetuation or dissolution of particular trusts must ultimately hinge. While the distinctions between questions of trust methods and the question of combination *per se* is necessary for clear thinking, trust practices, historically and potentially, are so interwoven with the fact of bigness that the trust problem from the government policy standpoint is and will remain one problem.

From this it results that the benefits to accrue from further inquiry into trust efficiency would come primarily in the way of a more illuminating publicity and in laying the foundation for the permanent work of an industrial or trade commission rather than in any service they might render in forming the basis for dissolution proceedings.

Up to this point the possibility of dissolving combinations has been assumed. Before the Oil and the Tobacco decisions, this possibility was by no means admitted, and in one of these cases, at least, it seems apparent that control has not been successfully dissipated. Without attempting to argue the physical possibility of dissolution, knowledge of the procedure in the Tobacco case and in subsequent cases leaves little doubt that dissolution *per se* is entirely practicable. There is still doubt whether dis-

sipation of financial control can immediately be accomplished by court action. Precautions against coercive control similar to those taken in the Tobacco case can be devised, however, in such a way that with the lapse of time the tendency will be in the direction of competition.⁴ From this standpoint the present active competition in the tobacco industry is encouraging. No thoughtful person will expect that the exact condition which preceded combination will be restored.

As this paper has tried to proceed from the standpoint of business welfare, one further question should perhaps be raised. Granted that the breaking up of trusts is intrinsically desirable, may not the disturbance to business from repeated dissolutions be so great as to over-balance possible advantages? The extreme care shown by the courts up to this time, and the action of some of the trusts in hastening to dissolve themselves, are calculated to allay fear of this sort. Such developments as those in the oil and tobacco industries prior to dissolution, and those which appear to be under way in some other industries at the present time, indicate perhaps that dissolution is along the line of present economic development. If the actual execution of the work can be placed in the hands of an efficient trade commission, it does not seem probable that the danger of disturbance to business need figure largely in the policy to be pursued.

To summarize a discussion which deals so largely with unanswered questions is exceedingly difficult. Concerning the efficiency of trusts, the meagerness of specific proof of economies claimed, the entire absence for any trust of anything like a balance of advantages against disadvantages, the continued reliance on hypothetical benefits,—these have made the trusts peculiarly vulnerable to the persistent and well organized challenge of their economic justification by the administration now in power. It may safely be assumed that from the efficiency standpoint the burden of proof has shifted to the trusts. There are no facts which would justify a careful student in regarding the efforts to dissolve trusts as an economic calamity. The Sherman law, which so often in the past has been hailed as a monument of political folly, is clearly attaining a more respectable place in public esteem.

⁴ For a description of these precautionary measures, see Muhse, A. C., "The Disintegration of the Tobacco Trust," *Political Science Quarterly*, June 1913; also Stevens, W. M., *Industrial Combinations and Trusts*, New York, 1913, pp. 440-461.

Leaving the question of efficiency out of account, it is possible to set forth certain definite favorable results of government trust activity. In the first place, the trust movement has been subjected to a large amount of publicity, the net result of which has been to break the spell of the trusts in the public mind. This publicity has made us realize for one thing that the bureaucracy of capital may be as dangerous to national productivity and progress as a bureaucracy of public officials. It has also created a demand for still more illuminating publicity which, in the long run, is bound to have a wholesome effect.

The carrying through of the Tobacco and Oil cases, whatever we may think of the ultimate disposition of those cases, has created a reasonable ground for assurance that the Government may proceed with any trust policy which is finally considered wise, without being embarrassed by a feeling of impotence.

Perhaps the greatest of all the specific services to business which the Sherman anti-trust law and the decisions under it have rendered is found in the progress toward a definition of legitimate competition. This has given an effectual impetus to efforts directed toward raising the moral level upon which competition and all the business of the nation in the future will be carried on.

The present situation is one in which the government is unquestionably in the possession of tremendous power, for the use of which there are comparatively few effective legal checks. The intimate and growing connection between government and business seems destined, moreover, to give any administration greater and greater power to influence by its policy the course of business affairs. In such a situation business welfare is bound to depend, in many instances, upon political responsibility and the character of officers rather than upon concrete legal restraints.

Whatever the momentary disturbance accompanying the trust activity of government during recent years, the signs of growing recognition of public responsibility on the part of great business enterprises more than compensates for any drawbacks which the details of the situation may have brought. Without falling prey to over-sentimental optimism one can still maintain that the co-operation for public ends which such a recognition implies will, in the long run, make for the continued development and prosperity of wholesome business.

RECENT TRUST DECISIONS AND BUSINESS— DISCUSSION

E. DANA DURAND: Professor Hotchkiss's valuable paper covers such a wide field and raises so many questions that he himself has recognized the impossibility of discussing them thoroughly, and in the limited time assigned to me, only a few points can be somewhat superficially touched upon.

Professor Hotchkiss rightly emphasizes the importance which the courts have attached to unfair competitive methods as an evidence of violation of the law and as a thing to be suppressed either by penalties and injunctions directly prohibiting them or by dissolution of combinations practicing them, or by both. It seems desirable to have positive legislation defining the limits of fair and unfair competition, and that for three reasons. First, it is probable that Congress, with the greater variety of men which it contains and of interests which it represents, can frame more just and acceptable definitions of these limits than the courts alone, admirable as have been most of the recent decisions of the Supreme Court in this respect. In the second place, statutes are usually more explicitly worded than court decisions. In the third place, a fairly complete statute could be enacted within the next year or so, although doubtless it would require amendment from time to time, whereas it may take a good many years for a series of court decisions to establish all the various lines of demarcation between fair and unfair competition. At the same time, a statute should not be too specific and detailed in its definiteness. Some discretion should be left to the courts, and the administrative officers who bring cases before the courts, with reference to the interpretation and supplementation of the definitions.

Professor Hotchkiss's paper raises the important question whether it is desirable to proceed as promptly as possible with the dissolution of the trusts or to await the results of further investigation as to the relative efficiency of trusts and of individual concerns. Of investigation there is no end. We have been investigating for twenty-five years. Were it possible for the Commissioner of Corporations to carry out what is understood to be his ambitious program of investigating within the present presidential term the whole subject of relative efficiency, we might wait that much longer. Professor Hotchkiss rightly points out, however, the great complexity of the task proposed by the Commissioner

and the length of time required. I doubt if much better or prompter results in such an inquiry would be obtained by creating a new special commission for the purpose, or even by greatly increasing the force of the Bureau of Corporations. Very few people appreciate at all the magnitude of the task.

Aside from its magnitude, the conclusiveness of the results of a comprehensive investigation of relative efficiency is very doubtful. In the first place, it will be out of the question to attempt to compare the efficiency of the combinations at present with that of the separate concerns before combination. Most combinations were made ten years or more ago. The old records of the concerns before combination would ordinarily not be accessible, while the conditions have so changed in many industries as to render such a comparison practically valueless. In the second place, comparison between trust plants and present independent plants would in many industries be of little significance, because the independent plants have not had a fair show to become efficient during the trust régime. The Standard Oil Company, for example, so oppressed and suppressed its competitors as to keep them small and therefore relatively inefficient. The combinations, which as Professor Hotchkiss has well stated were formed primarily not for the sake of efficiency but for the purpose of monopoly or of promoters' profits, have in many cases taken in practically all the large and efficient plants. Even where independent plants exist, there are often reasons why they are not as efficient as the large plants which would, or at least might, have developed in the entire absence of trusts. Finally it is certain that the inquiry into relative efficiency will fail to result in a uniform answer; some trusts will be found much more and some less efficient than large independent concerns.

I fully agree with the opinion implied in Professor Hotchkiss's paper that both theoretical considerations and the limited amount of information available raise serious doubt whether in most cases combination, as distinguished merely from large scale production, has any important elements of economy. At any rate the elements tending to increase expense or to lessen efficiency are often, I think, the stronger. In most of our great industries, if there were a limited number of large concerns, each would probably be able to secure all the economies from integration of related branches, from large scale operation, from utilization of by-products and the like which are claimed for combinations.

Meantime, every delay in breaking up the combinations renders it more difficult to do so. If, pending investigation, the trusts are allowed to go on for ten or twenty years and are then broken up, the shock to business will be much greater than at present. Moreover, they tend to acquire a sort of vested right to exist. The situation is very different from that with respect to railroads, to the investigation of which the Interstate Commerce Commission is proceeding with such proper thoroughness and deliberation. The railroad industry is recognized as essentially monopolistic and the problem is one of regulating rates rather than of destroying combination. I for one do not want to see regulated monopoly the régime in manufacturing industry and I do not believe it is necessary. The fixing of prices on trust-made goods involves enormous difficulties. If we are to be placed under the necessity of creating a vast machinery for regulating business, we might better proceed to socialism at once.

The only serious question in my mind with reference to the dissolution of the trusts is the question whether competition can actually be restored among plants which have formerly been so intimately related. The experience of the last few years seems to indicate the probability that it can be restored in many cases at least. I do not look for much competition among the former constituent concerns of the Standard Oil Company for a good many years to come. The method of dissolution—the equal distribution of the stocks of the constituent companies among the stockholders of the parent company—and the fact that the combination was of such long standing and that most of the more prominent men in the oil trust have never had any experience of competing with one another, may prevent the rise of competition. On the other hand, competition appears to be active in the tobacco industry since the combination has been dissolved.

Even, however, if competition could not be restored in industries where combinations have hitherto been formed, the enforcement of the anti-trust law will at least prevent the formation of new combinations which otherwise would soon cover a much larger field than at present. This, by the way, is one of the arguments for rigidly pushing the dissolution of trusts. It hardly seems fair to permit those which happened to have organized heretofore to go along indefinitely while virtually preventing the formation of combinations in other industries. It is a well-known fact that

almost no new combinations have been formed since the government began to bring suits under the Sherman Act.

One cannot fail to recognize, however, that there are combinations and combinations, that some have practically no degree of monopoly and make use of no unfair competitive methods. I distinguish not between the good and the bad, but between the monopolistic and the non-monopolistic. It is most undesirable that every combination, however little its monopolistic power, should live under the constant threat of being haled into court. There must be some administrative discretion as to the bringing of suits against combinations, and the authority which exercises that discretion should be in a position to assure non-monopolistic combinations, after careful investigation of them and their methods, of immunity from prosecution. While all recognize the excellence of the judgment which has usually been exercised by the successive attorney generals, it would seem that discretion with respect to the matter of prosecution ought to be lodged in a body of men somewhat like the Interstate Commerce Commission rather than in a single individual subject to change with each administration. To transfer all discretion as to the regulation and prosecution of combinations to the Commissioner of Corporations, a single individual, would not remedy matters; but the creation of a corporation commission of three or five members might do so, particularly if the law provided that no suit for the dissolution of a combination or for the punishment of illegal methods of competition should be brought until after investigation and recommendation by the corporation commission. It would not be the task of the corporation commission to investigate the relative efficiency of combinations and independent concerns, but merely to determine whether combinations were engaging in illegal practices prohibited by law, and whether they were actually restraining or possessed the power to restrain trade. A somewhat superficial investigation would in many cases develop at least prima-facie evidence of violation of the law which would result in prompt suits for dissolution or for injunction or penalties.

The commission would of course have other important functions in the administration of the considerable body of law which is bound to be enacted regarding interstate business.

To sum up, I should be glad to see (1) more specific statutes defining unfair methods of competition, (2) the creation of a per-

manent commission to administer the laws regarding concerns engaged in interstate commerce, other than transportation, and (3) the prompt dissolution of all combinations which in any material degree restrain or have the power to restrain trade.

WILLIAM A. RAWLES: Out of the investigation and discussion of the trust question a consensus of opinion has been reached on a few points:

1. Unregulated monopoly is an evil because it possesses power (actual or potential): (1) To control the prices of finished products; (2) To exploit producers of raw materials; (3) To dictate wages and terms of employment to labor; (4) To defraud investors; (5) To corrupt politics; (6) To concentrate wealth in a few hands; in a word, to destroy the very foundations of industrial democracy.

2. Adequate control of industrial monopolies can be secured only through the federal government. The course of events, the continued increase in the number of combinations, their reprehensible methods, their menacing position, and their defiant disregard of state restrictions have impelled us to this conclusion despite some fears of undue concentration of power in the federal government.

When it comes to the approval of specific methods of controlling combinations there is not as yet unanimity of opinion. I shall omit from consideration here the evils incident to the promotion and fraudulent management of corporations. These abuses are not peculiar to combinations, but are often found in independent corporations—sometimes in comparatively small business units. While these technical corporate evils have been greatly accentuated by the rapid growth of combinations, they are due primarily to the tardy development of the law of corporations.

Whatever differences of opinion exist relative to the natural economic advantages of combinations and the necessity of preserving such benefits for the common welfare of society, there is practical agreement that the artificial advantages of corporations must be eradicated. Whatever strength the combination may derive from inherent economies, it is well accepted that most of its power for evil has sprung from artificial advantages, such as government favoritism, evasion of law, railroad rebates, discrimination in prices, sellers' agreements, etc. When once a commanding position has been attained through these artificial ad-

vantages the mere magnitude of a combination, although it may be inefficient and wasteful, is sufficient to prevent potential competition from becoming actual. It is still a matter of dispute as to just where the line should be drawn between fair and unfair competition and between reasonable and unreasonable restraint of trade. But from the main proposition, that it is necessary to uproot whatever artificial advantages exist, there is little dissent.

Opinions differ as to the ultimate extent of the control which should be exercised over combinations. Disinterested publicists and economists declare that combinations should not be destroyed but should be retained and be subjected to such supervision as will deprive them of power for evil. In support of this position they contend that the combinations possess superior advantages over competitive producers in respect to economies in production and distribution, the use of by-products, managerial ability, the constancy of employment and the protection of labor, steadiness of prices, and the extension of foreign trade. They summarize their convictions by saying that combination is inevitable in spite of legal restrictions because natural laws are more powerful than human laws. On the other hand, equally high-minded and competent students deny the superiority of combinations and insist that the only efficient plan of eliminating the evils of trusts is complete dissolution and a speedy return to the régime of competition. Combinations will disintegrate, they assert, because of their inherent weaknesses if only they be stripped of their artificial advantages. Why should such a divergence of opinion prevail between two schools of thinkers equally honest, equally intelligent, and equally public-spirited? After making allowance for temperamental characteristics, I can find only one satisfactory explanation of such a difference of views. That is a lack of sufficient data from which to draw accurate conclusions. When an eminent professor tells us that the decisions of the United States Supreme Court in the Standard Oil and American Tobacco cases were "economically unwise" because they were designed to break up the combinations, and when a distinguished publicist and economist says that the plan of dissolution which was approved by the court legalized monopoly instead of restoring the degree of competition which was necessary and proper, we are constrained to believe that these two men based their decisions upon entirely distinct compilations of facts or supposed facts.

The fundamental difference here is upon the question of the social efficiency of combinations. If it can be shown conclusively that the combinations do possess all of these economic advantages enumerated above, and that it is possible to correct their evils without destroying them, then agreement will be speedily reached that they should be preserved and the evils should be eliminated without a return to competition. If, on the other hand, the advocates of competition can demonstrate that it is impossible to remove the evils of monopoly without destroying it and that the independent large-scale producer enjoys practically all of the so-called advantages of the combination, then assent will be given to the proposition that competition must be restored and its evils abolished without resort to combination. Do we now have sufficient evidence upon which a definite verdict may be predicted? It is the opinion of the speaker that exhaustive investigations should be undertaken by the government under the direction of an interstate trade commission to ascertain the facts concerning these fundamental matters which are in dispute. Such investigations should have the widest scope. The comparison should be made between the trusts and the large-scale independent producers, not the small incompetent producers. Before we abandon competition, which in spite of its wastefulness and its other evils has contributed so much to social progress, the advocates of monopoly under government supervision must show convincingly that trusts are not inimical to society.

Do combinations really effect a saving to society? In order to determine that finally, we want to know whether the expense of management is actually reduced; whether combinations develop the highest type of entrepreneur; whether the amount of working capital is reduced because smaller stocks of finished goods are kept on hand; whether they secure greater specialization in machinery; whether they employ more scientific experts; whether they have superior advantages in the production of auxiliary products and by-products; whether their outlay for insurance is lessened; whether the gain from a comparison of methods in different plants is offset by a loss of initiative; whether increased size always brings increased efficiency; what the point of maximum efficiency in an industry is; whether the opportunity of using only the best plants of a combination is neutralized by the loss involved in purchasing unnecessary establishments in order to eliminate competition and control the market; whether the advantage in

buying raw materials is offset from the standpoint of society by a loss to the producers of the raw materials; whether production under combination tends to uniformity, constancy, and routine in methods and products and discourages the introduction of new processes and products; whether the combinations have improved the quality of products by removing the inducement to alloy and adulterate their goods; whether laborers are insured steadier employment at better wages under more sanitary conditions; whether the alleged efficiency of trusts is due to cunning, jugglery, and Machiavellism in business rather than efficiency in manufacturing; whether combinations have a more efficient system of credit and collections; whether there is a material saving to society by the elimination of middlemen, advertising, and soliciting; whether the social saving in the reduction of cross freights is a negligible quantity; whether the combination is necessary to promote foreign trade; and even, if it be necessary, whether the social welfare is promoted by this subsidizing of foreign trade.

These are some of the points concerning which information should be secured. When economists have access to such knowledge there will be some approach to unanimity of opinion as to the efficiency of combinations and the proper treatment of them in the interest of industrial society. This is absolutely essential, for any policy of regulation which is not based on facts and sound economic reasoning will not be permanent. With the establishment of federal control over accounts and capitalization, and with the progress of cost accounting, the obstacles in the way of such an investigation are not insuperable.

I do not wish to leave the impression that I believe nothing should be done to restrain the improper conduct of combinations while the proposed investigations are in progress. Positive and immediate action should be taken to wrest from trusts their artificial advantages and to prevent further intrenchment of their power. Such action may properly include amendment of the patent laws, federal licensing or federal incorporation of companies engaged in interstate commerce, prohibition of discrimination in prices and of other undisputed forms of unfair competition and restraint of trade, and federal control over capitalization and accounts. This would leave for future determination the question whether or not the combination shall be retained as a desirable form of industry because of its superiority.

Turning now to the question of business depression, I beg to

suggest that the importance of the factor of uncertainty as to government control of corporations has been somewhat exaggerated. Admitting that there is uncertainty, we must distinguish between two classes of enterprisers who may be affected by this state of mind. On the one hand there are the small producers and independent large-scale producers (actual and potential); on the other hand there are the combinations. The cause of uncertainty among the former is not an apprehension of government intervention in their business, but a fear that the government will not interfere effectively with the prevalent practices of the combinations and that the independents will be left exposed to the merciless methods of the trusts. The independent producer, therefore, hesitates before venturing his capital and labor in an enterprise that may be crushed by the trust, which may cut prices in his normal territory below the cost of production, or which may prevent his obtaining raw materials or entering markets through factors' agreements. The trusts themselves are therefore by their very existence responsible for part of the hesitancy in the business world.

Uncertainty on the part of the trusts may arise from three causes: doubt as to whether or not certain methods recently introduced into business conform to the ethical standards of business men; doubt as to the legality of the said methods; and doubt as to whether or not the practicing of such methods as are accepted as unlawful will involve the offender in prosecution and punishment. In view of the disclosures made in the recent prosecutions by the government it is safe to say that little of the depression in business can be attributed to any certainty of combinations which springs from a solicitous fear lest they violate the code of business ethics.

Let us now examine the ground of doubt as to the legality of certain methods. Time does not permit a consideration of the decisions upon each specific question submitted in the principal paper. However, an examination of the decisions of the federal courts in *United States vs. The Southern Wholesale Grocers' Association*, *United States vs. The General Electric Company*, *United States vs. The Standard Oil Company*, *United States vs. The American Tobacco Company*, *The Miles Medical Company vs. Park & Sons Company*, *The Bobbs-Merrill Company vs. Straus, Bauer vs. O'Donnell*, and in other cases discloses the fact that most of these practices are clearly condemned by the courts.

Let it be conceded that there is a twilight zone,—that there are various specific acts, the legality of which has not been settled by the courts of final resort. Nevertheless, where the *intent* of such acts is to obstruct the course of trade and to drive the competitor out of business with a view to creating a monopoly, there would seem to be little doubt in the mind of the careful business man that such practices are unlawful.

After making allowance for a degree of uncertainty as to the legality of various methods, I cannot escape the conviction that much of the uncertainty which has recently disturbed the minds of business men arose from a doubt as to whether or not or how soon the government would begin proceedings against them for specific acts they knew to be contrary to business ethics, positive enactments, and the spirit of the courts' decisions. A partial remedy for such uncertainty will be found in the correction of methods of business men themselves so that their practices will conform to the principles enunciated by the Supreme Court even though their own particular acts may not have been under review by the court. There is evidence that some companies are already putting their houses in order.

In conclusion, the hesitation in our policy of trust regulation is due in part to the difference of opinion among economists respecting the essential point in the controversy,—namely, the efficiency of combinations. Agreement can be attained only when the public has an adequate knowledge of the facts, and this information must come through investigations conducted under the authority of the government. When a consensus of opinion is developed and disseminated, the people will cease to be confused in their views and a policy consistent with economic progress can be adopted.

J. E. LE ROSSIGNOL: Although I find it very difficult to discuss this subject, I am consoled by the thought that the author of the paper has had the same trouble, and has therefore given more attention to the trust problem in general than to a consideration of the economic effects of certain recent decisions.

It is not stated in the paper just what decisions are to be considered, but it may be assumed that the Standard Oil and Tobacco decisions of May 15 and May 29, 1911, are the chief of those to which reference is made. As to their immediate effects, it is impossible to determine to what extent they had been discounted

before the decisions were announced. As President McVey has said, their effects had been discounted, in a sense, ever since the first enforcement of the Sherman Act. This discounting is one of the most provoking features of the stock exchange, and is decidedly bewildering to the outsider who tries to understand its mysterious operations and the effects thereof. It is a case of "heads I win; tails I don't lose;" for if a given event is followed by a definite change in the prices of stocks it is promptly said to be the cause of that change; but if the change does not take place, the effects of the event, whether foreseen or not, are said to have been discounted. Certainly, the proper appreciation of the causal relations of economic events, as distinguished from mere sequences, is given to few men. This may be the reason why the property of thousands of innocent speculators so quickly passes into the hands of a few wizards of finance.

But I believe that I may say without fear of contradiction that the stock market heaved a sigh of relief when the decisions were at last announced; for then the worst was known and it was seen that the patient would live, even though he would have to pass through a painful period of dissolution and reorganization. Moreover, the bad effects of the Standard Oil decision seem to have been overdiscounted, for on May 16 there was a marked revival in speculation and sharp advances in both industrials and railways; which, however, lasted for little more than a week. The immediate effects of the Tobacco decision were different, for on May 31 there was a tremendous break in American Tobacco stock, with a general decline in stocks, followed by an upward reaction later in the day. Standard Oil stock, however, remained fairly strong.

After a while the stock market seems to have put a somewhat more favorable interpretation upon the decisions; and the comparative buoyancy that prevailed during the months of June and July may safely be attributed in part to this cause. During these months there were a few other favorable circumstances, with some less favorable events; but toward the end of July unfavorable influences predominated, such as reports of damage to crops, the decision of the Interstate Commerce Commission in the Spokane cases, and the Moroccan embroglio. Early in August the stock market collapsed, and depression ensued which lasted, with scarcely a break, until March, 1912. It is clear enough, then, that the decisions caused a considerable disturbance in the movement of stocks that might be compared to a back eddy in an ebbing

tide; but presently the ebb continued, and the eddy was lost in the numerous currents that made up the general stream. As to the effects of the decisions upon general business, these must necessarily be far more difficult to determine.

After a time the trusts were dissolved, in accordance with the decrees of the court, and the effects from the point of view of the stockholders, whose property has greatly increased in value, have been decidedly beneficial. The subsidiary companies still seem to work in harmony, without any undue competition, and the consumers pay more for oil and tobacco than before the dissolution. But even these effects can hardly be attributed to the dissolutions, but to changes in the conditions of supply and demand, as the increased demand for gasoline on the part of owners of motor cars. The following table shows the prices of oil and tobacco products from April to June, 1913.

MONTHLY AVERAGE EXPORT PRICES
(From the *Monthly Summary of Commerce and Finance*)

	April 1911	April 1912	April 1913	October 1913
Oils:				
Mineral, crude, etc. (gal.).....	\$0 .028	\$0 .037	\$0 .036	\$0 .044
Refined:				
Naptha, etc. (gal.).....	.073	.098	.148	.156
Illuminating (gal.).....	.055	.059	.070	.063
Lubricating (gal.).....	.117	.128	.149	.144
Tobacco:				
Leaf (pound).....	.114	.110	.120	.115
Cigarettes (thousand).....	1.37	1.47	1.56	1.94
Plug (pound).....	.251	.267	.270	.242

Meanwhile, the prosecution of trusts has continued; other dissolutions have been ordered; there has been talk of voluntary dissolution, abolition of interlocking directorates and investigation of the comparative efficiency of trusts and independent corporations; and finally, the trust question is to be taken up by Congress, and private monopoly, wherever found, is to be abolished. The dissolutions in question cannot, of course, be regarded as causes of these later developments; but links in the chain of cause and effect they certainly are, being a notable expression of the determination of the people of the United States that the trust question must be settled in some satisfactory way.

The trust dissolutions, considered as isolated events, seem

unimportant, and their effects insignificant; but when taken in connection with the other prosecutions under the Sherman Act, the general attitude of the people, and the policy of the Government toward both trusts and railway companies, they are seen to be part of a movement that has rapidly gained strength in recent years and is a serious menace to the power of "big business," if not to "little business" as well. It would be interesting if the effects of this movement could be measured statistically, but the subject is too complicated for this method of treatment.

The following figures, compiled by Professor Wesley C. Mitchell and Doctor Minnie T. England, show clearly that we have suffered from a depression during the year 1913, but throw little light upon the fundamental or immediate causes of the depression. The index number of Professor Mitchell is based on average prices of the common stocks of forty railway companies; that of Doctor England is based on average prices of the common stocks of thirty-eight industrial corporations. Mr. Babson has compiled similar statistics showing changes in the barometer of prosperity, but giving little information as to the causes of those changes.

	INDEX NUMBERS							
	1910		1911		1912		1913	
	Ry.	Ind.	Ry.	Ind.	Ry.	Ind.	Ry.	Ind.
January	108	113	98	98	91	92	98	98
February	101	107	99	99	90	91	90	90
March	107	108	99	101	93	95	90	90
April	102	105	98	101	96	99	90	90
May	101	102	98	103	95	100	90	90
June	96	95	102	102	93	102	82	82
July	89	92	101	102	92	103	86	86
August	92	93	101	97	95	107	88	88
September	91	93	89	90	96	108	94	94
October	98	97	92	88	95	107	86	86
November	98	97	94	90	93	105	82	82
December	96	95	95	90	90	101

The prices of stocks form a good barometer of industrial weather, for they vary quickly in response to favorable or unfavorable influences. Unfavorable conditions have predominated during the past four years, and prices of stocks have been for the most part depressed. Among the depressing causes most frequently mentioned in the financial journals have been the following: poor crops; wars in China, the Balkans, and Mexico; financial stringency in Europe; elections; political agitation against railways and trusts, including prosecutions and dis-

solutions; decisions of the Interstate Commerce Commission against railways; labor troubles, especially among railway employees; revision of the tariff; currency legislation; prospects of further investigations and legislation.

Regarding most of these influences as superficial, Mr. Babson says that the present depression is due to extravagant expenditure, especially on automobiles. Professor Irving Fisher attributes it to increased production of gold, rising prices and rising rates of interest; while Professor W. G. L. Taylor and Doctor England, taking a broader view, hold that a period of depression, if not a serious crisis, is now due, because of the disturbance of industrial equilibrium necessarily connected with an accumulation of mistakes and miscalculations during a long period of prosperity, and that stable equilibrium can be restored only by a general shaking up and extensive liquidation. When the situation is thus considered in its broader aspects, the theory that the crisis of 1907 was brought about by Mr. Roosevelt and that the present depression is the work of Mr. Taft, Mr. Wickersham, President Wilson, Mr. Bryan, Mr. Redfield, and other standard bearers in the crusade against "big business" is seen to be a gross exaggeration.

For all that, no one can read the economic history of the past few years without feeling that the enemies of the so-called "plutocracy" have been growing in strength and determination, that they have interfered to a considerable extent with business interests in the past, and that they are likely to make more trouble in the future. Unquestionably, the stock market has frequently felt tremors from this source; promoters and investors have often been discouraged; and, as in the case of the railways if in no other, net earnings have been affected and extensions and improvements delayed.

The protagonists of "big business," like the devils in the parable, ask only to be let alone. They cannot and will not be let alone; but it is well to remember, in all efforts toward reform, that the interests of "big business" are intimately connected with those of "little business," and that the interests of the working class are inseparably connected with both. Ardent reformers often speak of these three classes as though they were separate societies that could exist apart, and eagerly demand the destruction of "big business," which is the heart and brain of the industrial and financial organism. Such an attitude reminds one of the

old psychology which treated intellect, feeling and will as though they were separate compartments in the soul, any one of which could exist without the others. The old fable of the body and the members might well be studied by many well-meaning reformers, who do not quite realize the far-reaching consequences of their proposals. They are like the syndicalists who try to break up machinery and ruin business, forgetting that they are doing serious damage to themselves. It is evident that the spirit of syndicalism is not confined to syndicalists.

GEORGE E. PUTNAM: For the furtherance of business prosperity it is obviously necessary that a well-defined plan of dealing with trusts be instituted. And few will deny that the first move should be made in the direction of reducing to approximate certainty the law on unfair methods so as to prohibit in the future those practices which have so largely contributed to the growth of industrial combinations.

But such amendment to our existing laws does not solve the problem of dealing with trusts already formed. Shall it be assumed that the trusts are inherently evil, that they are founded on business irregularities, and an attempt be made to dissolve them? Or is it conceivably possible that some of the trusts really enjoy the economies of large scale production to the extent that their superiority over smaller concerns could be established? If so, would not regulation be better than dissolution? The whole matter of public policy seems to revolve about the correct answers to these questions. And it is not likely that a trust program will be wise or effective which does not make a distinction, based on facts, between the relatively efficient and inefficient combinations.

Whether or not the view of Professor Hotchkiss be generally accepted—that on the whole trusts are inefficient—it is my belief that we are still groping in the dark, that we have no immediate means of ascertaining the degree of efficiency or inefficiency of these concerns. The savings due to managerial ability, coöperation, integration, abundant supply of raw materials, and transportation facilities are but vaguely understood. Moreover in competitive and related industries the problem of cost is one of joint cost under varying conditions of demand and ever changing methods of production. Even with a superabundance of facts relative to costs and large scale economies, it would require con-

siderable care over a period of years to apply the efficiency tests with any degree of accuracy. It seems unsafe, therefore, to proceed on the theory that trusts are generally inefficient, are not worth saving, and that combinations *per se* should be dissolved.

As regards the possibility of dissolution there are again grounds for some difference of opinion. For the purpose of making careful analysis it is necessary to distinguish between trusts formed primarily to secure control of the market under lax corporation laws and those formed to prevent destructive competition. In the first instance combinations were invited. They responded to the invitation although they were not prompted by economic necessity. With reference to this type of combination it will be granted that a decree of dissolution could be made effective. Indeed, it would not be surprising if dissolution were made voluntarily to protect the stockholders from useless litigation.

However, in the case of those consolidations made for the purpose of avoiding destructive competition the situation appears to be very different. There seems to be a set determination on the part of business concerns, even retailers, to combine when a falling price—occasioned by an appreciating currency or by destructive competition—becomes imminent. Such combinations have a reason for existence, especially in those industries where prices and profits are subject to violent fluctuations. That the law can withhold a sound legal status in these cases is assured; but that effective dissolution is possible is a question on which the history of trust development throws considerable light. Combinations have been going on for approximately half a century, first under one form of organization, then under another, ever seeking to secure a sounder legal status. And now that their position is again insecure, there is a distinct tendency to revert to the earlier and more objectionable form of pooling. While the evidence is not sufficient to establish the extent of such a tendency, it is manifestly the step that faltering business will take when all else fails. Of course, pooling agreements are objectionable, but they are difficult to detect and, like other coöperative schemes which are beginning to be successfully utilized, can secure for themselves permanency when there is sufficient at stake and when business men have acquired the coöperative spirit.

Moreover, the life of a business generation is steadily growing in length, and a public policy which contends that legitimate

monopoly in the field of industry is altogether impossible, or that competition under a highly capitalistic régime can be made to operate at all times, will in all probability encourage law violation and thereby defeat its own purpose. It seems doubtful, therefore, whether effective dissolution can always be accomplished when economic forces are strongly opposed.

The ultimate program for effective trust dissolution would seem to be one taking cognizance of the desirability of some combinations either because they are efficient or because they have become vigorously intolerant of competitive conditions. To dissolve the efficient concerns would mean a social loss. To dissolve completely the other type would probably be impossible. Therefore the natural alternative presents itself in the form of government price regulation of some industrial corporations engaged in interstate commerce.

However objectionable this plan may seem—and its opponents are clearly in the majority—I feel, nevertheless, that it has a number of merits, when properly limited, and that the ultimate result of its adoption would be for the best interests of all concerned. At present big business initiative is wavering, due perhaps to a combination of causes, but in no small measure to the uncertainty growing out of proposed trust legislation and dissolution. To reduce to practical certainty the law on unfair methods of competition is an insufficient remedy for these conditions. In justice to the public and to wavering business there is needed an intelligent guidance, such in fact, as can be secured only through the aid of a commission composed of experts in whom is vested the three-fold function of investigation, control, and coöperation with the Department of Justice. An investigation commission would have the burden of its duties materially reduced if all corporations engaged in interstate commerce were required to submit full and complete reports. Price regulation, however, need not be made to apply immediately to all corporations, certainly not to those doing a legitimate business. On the contrary, complete control could be assumed only as the need appeared, or as *gradually*, in fact, as corporations were found guilty of wilful law violation. Such a plan would not only countenance price agreements where necessary, but at the same time would operate as a powerful restraint on the use of illegal methods,—so that little regulation would really be necessary. And finally, the commission, having satisfied itself with reference

to the efficiency or the necessity of a combination, could act in an advisory capacity with the Supreme Court in a dissolution proceeding. Those who are familiar with the obstacles confronting the Supreme Court in recent dissolution cases will, I believe, recognize that the services of a body of experts would be invaluable.

C. J. BUELL: It is with some hesitation that I venture to say anything on this subject. But there are some things that have not been said that ought to be said.

I remember very well when the Sherman anti-trust law was passed, and how it impressed me at the time. I think it has been effective in doing what it was intended to do, namely, to draw a red herring across the trail of the tariff-reform agitation of that time. The iniquities of the tariff system were causing great unrest among the people, and something had to be done; so the defenders of the tariff swindle brought forward two measures, the Sherman anti-trust law and the reciprocity scheme, which they hoped would calm the people and switch them off the track of tariff discussion. The scheme worked for the time.

So far as can be discovered, the anti-trust law has in no way hurt the trusts; but it has been very effective in putting labor agitators into jail. Several innocent men are now in jail in the State of Colorado, charged with having violated the anti-trust law; while Standard Oil is now worth nearly a hundred million dollars more than before it was dissolved by the courts. The same is true of the tobacco trust. Its stock went up after the dissolution. This is a new and strange phenomenon in the world, that a thing should be more strong and powerful after it has been legally killed than when it was alive.

In this discussion I take it that public service corporations are not to be included. They are monopolies in the very nature of things, and are wholly different from the industrial trusts, every one of which owes its very existence and all its power for evil to unwise and unjust statute laws. The tariff is one of the greatest bulwarks of the trusts. That was the avowed object of the tariff,—to enable the American manufacturer to get more for his goods than would otherwise be possible. Can we blame him for taking advantage of the laws we have passed for his express benefit? Wouldn't he be a chump if he didn't? Then, again, our patent laws are so framed that they are of very little benefit

to the inventor. But they do help the big capitalists to swindle the inventor on the one hand and the purchasing public on the other.

Take the steel trust. To what does it owe its power? Largely to the tariff, to some extent to patents, but more than all else to its monopolization of the ore beds, due to a system of taxation that encourages them to grab all the mines they can get hold of and prevent others from using them.

If you really want to get rid of the trusts, don't prosecute them, repeal the unjust laws to which they owe their power for evil, and they will quickly become harmless. And until those laws are repealed, you can never destroy them by anti-trust legislation or court decisions.

VANDERVEER CUSTIS: We have heard the trusts spoken of as if they were not the results of evolution but the artificial products of designing men who wished to secure for themselves the gains of promotion or the profits of monopoly. That such motives played a large part in their formation is unfortunately true. Yet they are nevertheless products of evolution. We have them with us, not only because of the gains that could be made from them, but because the conditions were such as to select them for survival. This is not to say that they are either good or inevitable. The rattlesnake and the yellow fever mosquito are products of evolution, and to say the same of the trusts is by no means to beg the question in their favor.

What I wish to emphasize is that a recognition of the evolutionary character of the trusts is important. The policy of mere dissolution will not accomplish satisfactory results if the forces that led to the formation of the trusts are left at work. Some of these, indeed, it is proposed to render ineffective or to destroy, but this is not true of all of them. This is fortunate, for some of these forces are of great significance in connection with industrial efficiency. The whole history of modern industry has been marked by the development of concentration, and the result is that in an increasing number of industries any competition that we are likely to have is competition between large and powerful units. None of us, I suppose, would advocate a return to the conditions of small industry; but we often fail to realize, what we know well, that competition between great industrial organizations, particularly where much fixed capital is used, is a very

different thing from the old competition. Such competition is often destructive in character and is injurious alike to producers and consumers. Granting that the gains of promotion and of monopoly are important among the causes of the formation of trusts, it should always be borne in mind that another very important cause is to be found in the character of the competition that existed just before they were formed.

Regulation is necessary in any case. I am not one of those who believe that it is impossible to dissolve the trusts; but if it be decided that this is a wise policy to adopt it should be remembered that dissolution alone is inadequate. Legitimate motives for combination would still remain; and if combination, as we commonly understand the term, is to be made impossible, it is to be expected that the evolutionary forces will be turned in some other direction. If our industrial civilization is to go forward it is practically certain that the old forms of industrial organization will pass away and that new forms will appear. The problem is not so much the choice between the regulation of the trusts and the reestablishment of competition, as the choice between the regulation of the trusts and the development and regulation of new industrial conditions in which, of course, it is possible that more or less competition may prevail.

J. M. CLARK: In agreeing with Dr. Custis, I want to add to what he said, giving the principle he stated a broader application than he made of it. That principle holds not only in the businesses we know as trusts and are trying to dissolve as such, but in other businesses that we think of as competitive: wherever, in fact, the distinction between prime cost and total cost is a material fact. In all such businesses it is true that in times of depression active competition tends to bring prices down to a cutthroat level and so to end in agreements, as is indicated by the facts which Professor Putnam brought out.

I confess to being a heretic as to the "law of competitive price" in that I do not think it tends to a definite cost level in most cases, but rather fluctuates indefinitely between two levels, a lower level below which producers go out of business and an upper level above which new capital and enterprise comes in. The lower level is, approximately, that of prime cost, and the upper level is approximately total cost, and I think the law of competitive price would be clearer if it were stated in this general

form, so that the cases in which there is a tendency toward a definite cost level would become special cases of a broader general principle, the special cases in which "prime cost" and "total cost" come together. But this is an aside.

If these things are true, it is also true that the real force in many competitive businesses that now makes for tolerable conditions is not so much active competition, which tends to cutthroat war and agreements, but the poor phantom of "potential competition." This not only among recently dissolved trusts but among many businesses we have never thought of dissolving. And that this is why these semi-dissolutions, establishing as they do partial communities of stockholders' interests, still seem to be promising to produce a tolerable condition. If that is so, the emphasis is thrown back upon the proposition favored by some of the earlier speakers for preventing unfair competition by statute. Professor Durand gave three good reasons for doing this; I should like to add a fourth, namely, that we need to be sure that unfair competition shall be attacked as soon as it appears, not taken as evidence of illegal intent after it has done its work. We need to save competitors alive, not try to revive them after they are dead. The speakers have indicated that it is doubtful whether the Department of Justice or the courts will, under existing law, develop such a policy as quickly as it is needed. By statute, Congress could establish such a policy definitely, surely, and immediately.

W. W. FOLWELL said, in substance, that corporations are going to be regulated; political exigencies render that inevitable. It is most desirable that regulation be wise, and it would better be gradual. President Roosevelt in the last year of his administration sent a message to Congress recommending the amendment of the Sherman Act so as to allow parties to contracts and combinations to obtain an administrative ruling in advance as to its legality. A bill was introduced to effect the purpose. A contract or combination found obnoxious was to be forbidden; those not so found were to be immune.

Senator Nelson of Minnesota of the Senate Committee on Judiciary, to which the bill had been referred, submitted an adverse report which has ever seemed wise to the speaker.¹ It is a maxim of judges never to define fraud. Such legislation as that proposed would simply have the effect to set up particular obstacles in the

¹ Senate Report No. 348, 60th Congress, 2d Session, Jan. 9, 1909.

road of the interests, like hurdles in a race course, and set their attorneys at work devising means to circumvent them. We have had some examples of that kind of legislation which are not encouraging. Let Congress take time in anti-trust legislation.

M. S. WILDMAN: The trend of the discussion today taken in connection with that of last Saturday leads to an acceptance of the proposition that public service companies, being monopolies, ought to be regulated, while other great corporations with monopolistic features ought to be dissolved.

Leaving aside the question whether this position is sound, it seems that we who profess to emphasize the truly economic elements in a problem have accepted a classification of business undertakings which is essentially legal. If we accept the view that our public utilities ought to be purveyed by monopoly and that monopoly ought to be subject to regulation touching both rates and service, I, for one, am not willing to admit that the mere absence of a franchise will establish a group of business units which must be forced to compete whatever be the character of service which they render. If monopoly and regulation are appropriate for the company that furnishes me gas I am not at all convinced that monopoly and regulation are not appropriate for the company that furnishes me milk or coal. The criterion should not be in the legal differences involved but in the nature of the service rendered and the degree to which the consumer can or cannot avail himself of the benefits of actual and effective competition.

WILLARD E. HOTCHKISS: The consideration shown by my critics makes it unnecessary to detain you long. There are perhaps one or two points upon which a further word may be in place. One of the speakers seems to have gained the impression that my paper contained a general indictment of trusts on the ground of inefficiency. All I undertake to maintain in this connection, and I think the paper expresses this view, is that trust efficiency can no longer be assumed. Lapse of time, the operating history of trusts, the accumulation of documentary material, and the developing discussion of the topic have shifted to the trusts the burden of showing by affirmative proof a balance of superior efficiency wherever such balance is claimed. The question of efficiency, however, is one upon which there is need of further

light in the form of concrete information applied to particular trusts and to particular phases of their operation.

As a former deputy commissioner of corporations, even more as the first statistician of the Bureau, Professor Durand speaks with authority in pointing out the limitations surrounding any special inquiry into trust efficiency. "Of investigations there is no end" expresses no doubt a sentiment which at times we all feel. On the other hand, I do not understand Professor Durand to infer that we ever can or should have an end to inquiries into trusts or into business in general. The relation between government and business has become too intimate and too vital to the continued progress of the country for the government seriously to consider any radical curtailing of its investigating activity. Enlightened publicity with respect to business affairs has become a permanent necessity and will figure very largely in the service which any industrial or trade commission may render.

Professor Wildman has raised the very important question, "What will follow the conclusion that any industry is permanently and advantageously monopolistic?" I quite agree with the view that such a conclusion will carry the same burden of responsibility for government regulation as now attaches to the so-called public service corporations. Whatever the present legal distinctions, I can see no essential difference in economic effect between accepted and approved monopoly in the supply of gas and a similar monopoly in the supply of anthracite coal.

One of the speakers has seemed to suggest that the paper as read is a wide departure from the subject, "Recent trust decisions and business." In his remarks he appears to identify business with the condition of the stock market. If this is his inference, it seems to me to represent a very inadequate view. Security transactions no doubt are in some measure a barometer from which the immediate business situation, more particularly the business mind at any time, can be roughly ascertained. Business, however, is a much more comprehensive concept than this, and one which, as set forth in the paper, must be regarded from the long-time point of view. From this standpoint it is the possible permanent effects of government activity which should receive primary emphasis in discussing a subject like trusts.

MINUTES OF BUSINESS MEETINGS AT MINNEAPOLIS

DECEMBER 27 TO 30, 1913

In accordance with the announcement in the program of the annual meeting, the Executive Committee met in the parlor of the Hotel Radisson at 9 a. m., Saturday, December 27. Present, President Kinley and Messrs. Dewey, Ely, Fetter, Hotchkiss, Marshall, Hammond, and Carver.

The minutes of the previous meeting were read and approved. The treasurer gave a preliminary report regarding the financial condition of the Association. Communications were received and placed on file from the committee appointed to consider the feasibility of participating with the management of the San Francisco exposition in a social and economic exhibition, and from the committee appointed to coöperate with a similar committee of the American Political Science Association regarding the accrediting by the universities of work done by graduate students in connection with bureaus of municipal research, efficiency commissions, etc.

A business meeting of the Association was held in the Hotel Radisson at 9:45 a. m., December 27, President Kinley presiding.

On motion it was voted to dispense with the reading of the minutes of the last annual meeting, these minutes having been published in the Proceedings of the Association.

On motion, the Chair was authorized to appoint committees on nominations and on resolutions. The appointments were made as follows:

On nominations: Messrs. R. T. Ely, W. W. Folwell, F. A. Fetter, H. J. Davenport, and A. A. Young.

On resolutions: Messrs. A. B. Wolfe, G. O. Virtue, and M. S. Wildman.

The report of the Secretary for the year of 1913 was read and, on motion, accepted.

The report of the Treasurer for the year 1913, was read and, on motion, accepted.

New business being called for, Professor F. A. Fetter of Princeton University offered the following resolution, requesting that it be voted upon at the next business meeting of the Association:

Whereas, This Association has, as one of its main objects, "the encouragement of perfect freedom of economic discussion," and

Whereas, This is essential to the progress of economic science,

Therefore, Be it Resolved, That a committee of three be constituted to examine and report upon the present situation in American educational institutions as to liberty of thought, freedom of speech, and security of tenure for teachers of economics, and that this committee be authorized to cooperate with any similar committees which may be constituted by other societies in the field of the social sciences.

A meeting of the Executive Committee was held in the Hotel Radisson on Saturday, December 27, at 10:30 p. m. In the absence of President Kinley, Vice-President Hotchkiss took the chair. There were present, besides Mr. Hotchkiss, Messrs. Ely, Dewey, Hammond, Babson, Plehn, Marshall, and Carver.

On motion it was voted to suspend the vote of May 31, 1913, declaring it to be the policy of the Association that the editing of the proceedings of the annual meeting should be done in the office of the Managing Editor of the *American Economic Review* and to continue the present practice under which the editing of the proceedings of the annual meeting is done in the office of the Secretary-Treasurer.

On motion it was voted to recommend to the Association that a committee of three be appointed by the President to consider the whole question of the policy of the Association respecting the office of Secretary-Treasurer and to report at the next annual meeting.

A special meeting of the Executive Committee was held in the Hotel Radisson on Sunday, December 28, at 9 p. m. There were present Messrs. Kinley, Fetter, Ely, Durand, Hotchkiss, Marshall, Hammond, Babson, Dewey, and Carver. Professor M. S. Wildman of Stanford University spoke of the conditions offered for meeting in San Francisco in 1915. Professor Fetter presented the invitation of the President of Princeton University to meet in Princeton in 1914.

Professor Durand reported for the sub-committee to consider the question of recommending to universities that work done by graduates in bureaus of municipal research, efficiency bureaus, etc., be counted in partial fulfillment of the conditions for advanced degrees, that it was not yet ready to make a positive recommendation. On motion, this report was accepted and the Secretary was authorized to transmit to the business meeting of the Association the report of the Executive Committee that it

was not able to make a positive recommendation, and that it asked that the subject be left with it for further consideration.

A special business meeting of the Association was held in the Hotel Radisson, on Monday, December 29, at 9 a. m. The report of the Managing Editor was read and, on motion, accepted. The report of the auditing committee was presented by the Secretary but not read. On motion, it was voted that the report be received.

The Secretary reported for the Executive Committee that it was not prepared to make a positive recommendation regarding the accrediting by universities of work done by graduate students in connection with public utility commissions, efficiency bureaus, etc., and that it asked that the matter be left with it for further consideration.

Pursuant to announcement in the program there was a business meeting of the Association in the Hotel Radisson, on Tuesday, December 30, at 9 a. m.

The committee on nominations presented a report placing in nomination the following ticket: For President, John H. Gray; for Vice-Presidents, D. F. Houston, T. N. Carver, W. F. Willcox; for Secretary-Treasurer, A. A. Young; for Editor of the *American Economic Review*, D. R. Dewey; for new members of the Executive Committee, C. C. Plehn, Leon C. Marshall; for new members of the Editorial Board, J. H. Hollander, F. A. Fetter, H. J. Davenport.

On motion, this report was accepted and the Secretary was authorized to cast of the members present for the list of officers named. The Secretary reported that the vote was so cast and the officers were declared elected.

The committee on resolutions presented the following report, which on motion was adopted.

The members of the American Economic Association wish to express their grateful appreciation of the friendly and thoughtful hospitality and the careful coöperation and planning on the part of the many individuals and organizations in Minneapolis which have contributed toward making the Twenty-sixth Annual Meeting of the Association a most valuable and enjoyable one. They therefore give their hearty thanks to the Committee on Local Arrangements, the University of Minnesota, the Commercial Club, the Civic and Commerce Association of Minneapolis, to the press of the city, and to President and Mrs. Vincent for the many courtesies extended during the course of the meeting.

The Secretary is requested to transmit a copy of this resolution to each of the persons and organizations named, and to record it in the proceedings of the Association.

The members of the American Economic Association are mindful of the effective services of the outgoing Secretary, Thomas N. Carver. During his administration of the office, the affairs of the Association have been carefully and successfully managed during a trying period of readjustment, and the organization has enjoyed a period of developing prosperity and of increasing service. It must be recognized that the activities of the Association are dependent in large measure upon increased membership and increased financial resources, and that these means have been secured largely through the Secretary's painstaking and foreseeing efforts.

Be it resolved, therefore, that we formally extend to Professor Carver this expression of our grateful appreciation of his five years of service, and that this resolution be entered upon the minutes.

A. B. WOLFE,
G. O. VIRTUE,
M. S. WILDMAN,
Committee on Resolutions.

For the information of the Executive Committee a vote of preference was requested from the Association as to the place of the next annual meeting. The vote was unanimous in favor of Princeton.

The resolution offered by Professor Fetter at the preceding meeting of the Association was, on motion, adopted. On motion, it was voted to appoint Professor E. R. A. Seligman as chairman of the committee provided for in the resolution, and to authorize him in consultation with the incoming President to appoint the two other members of the committee. Professor E. Dana Durand of the University of Minnesota presented the following resolution:

Resolved that it is the sense of this Association that the Federal Government should take such administrative or legislative action as will assure a proper representation of the United States at government expense at important international congresses and other international meetings of delegates relating to economic, sociological, political, and statistical subjects.

On being submitted to a vote, the resolution was adopted.

On motion of Professor R. T. Ely of the University of Wisconsin it was voted to appoint Professor Durand a committee of one to act with the Executive Committee to take appropriate measures to accomplish the purpose described in the foregoing resolution.

On motion of Professor W. A. Scott of the University of Wisconsin it was voted that the Executive Committee be au-

thorized to consider and report upon the question of the expediency of holding separate meetings of the western and eastern sections of the Association at least on alternate years.

The Executive Committee met in the Hotel Radisson on Tuesday, December 30, at 5 p. m. There were present President Gray and Messrs. Babson, Carver, Dewey, Ely, Fetter, Hammond, Kinley, Plehn, Scott, and Young.

Pursuant to the preference voiced by the Association it was voted that the invitation of the President of Princeton University for the annual meeting of 1914 be accepted. It was voted that negotiations be entered into with the American Association for Labor Legislation looking toward such arrangements as to time and place as will make attendance at the annual meetings of both associations possible.

It was voted that the sub-committee to report upon the matter of recommending that university credits be given for work done by graduate students in bureaus of municipal research, etc., be continued with the same personnel, Professor Durand succeeding Professor Kinley as chairman.

Professor Durand read a proposed draft of a letter to the President of the United States, conveying the resolution adopted by the Association relating to the importance of the proper representation of the United States at international congresses devoted to economic, sociological, political, or statistical subjects, and stating the reasons which led to the adoption of the resolution. By vote of the Committee the letter was approved.

It was voted that the time and place of the next meeting of the Committee be left to the decision of the President and Secretary.

The President announced the appointment of Professors T. N. Carver, F. A. Fetter, and J. W. Jenks as the special committee to report upon matters relating to the office of Secretary and Treasurer. By vote this committee was also charged with the duty of reporting upon the question of the creation of a finance committee.

REPORT OF THE SECRETARY FOR THE YEAR ENDING DECEMBER 15, 1913

Since the last annual meeting there have been two meetings of the Executive Committee, one at the Harvard Club in New York on February 22, 1913, and a second at the University Club, Cleveland, Ohio, on May 31, 1913.

Among the subjects discussed and voted upon at the first meeting were the time and place of the annual meeting for this year and the plans therefor. The question of holding the meeting for 1915 in San Francisco was then presented and the Secretary appointed a committee to inquire into the facilities for going there.

At the second meeting the Secretary informed the Committee of his removal from Cambridge and of his change of work, in view of which he presented his resignation. At the request of the committee, however, he decided to retain the office for the remainder of the year, and was authorized to make arrangements for such clerical help as would maintain the work of the office.

During the year ending December 15, 1913, the following changes in the list of members and subscribers have taken place:

Members resigned.....	310
Removed for lack of address.....	14
Dropped for non-payment of dues.....	112
Deaths	26
Subscribers discontinued.....	11
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Total subtractions.....	473
New members added.....	238
New subscribers added.....	33
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Total additions.....	271
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Net loss.....	202

The total number of members and subscribers reported in 1912 was 2715. The total number would therefore now be 2513. Of these nine are honorary members, 83 are life members, and 264 are subscribers.

This is the first year that the present Secretary has had to record in his annual report a loss in the membership. Considering (1) that removals for non-payment include practically all who are more than one year in arrears, while in former years names have been kept on the list at least two full years, and thus the list has been scored down closer than in any previous year, and (2) that this is the first year of the increased dues, the net loss is even less than might have been expected.

Again a special contribution was received for the express purpose of extending the membership of the Association, and thus enlarging the circulation of our publications. This fund has been expended in the printing and mailing of circulars and the clerical work incident thereto. The results, however, have been subject to the law of diminishing returns, and but 271 additions can be reported as against 540 in 1912, and larger number in previous years.

More than 2100 of our members and subscribers have paid at the new rate. There are, however, 300 members still on the mailing list to whom the publications for the year have been sent, and who have not responded to bills for dues. It is probable that a goodly proportion of these will have to be dropped. It is the Secretary's opinion, therefore, that efforts will still have to be made to hold a sufficient number to maintain our publication on its present basis.

The Proceedings of the annual meeting were edited and put through the press by the Secretary's office, being again published in abbreviated form by omitting the report of the session held jointly with the Association for Labor Legislation and condensing the reports of two other sessions. It is a question whether such abbreviation does not curtail the sale of the publication.

The Handbook of the Association was also prepared and put through the press by the Secretary's office. Considerable work was done toward compiling a separate directory of academic teachers who are members of the Association, in accordance with instructions of the Executive Committee, but the publication of it was held in abeyance in accordance with later instructions from the same committee.

The total number of subscribers reported January 1, 1909, was 1030.

Additions in 1909, 430.	Removals, 100.	Net gain, 330.	Total, 1360
Additions in 1910, 401.	Removals, 59.	Net gain, 342.	Total, 1702
Additions in 1911, 814.	Removals, 112.	Net gain, 702.	Total, 2404
Additions in 1912, 540.	Removals, 229.	Net gain, 311.	Total, 2715
Additions in 1913, 271.	Removals, 473.	Net loss, 202.	Total, 2513

CHANGES IN FIVE YEARS

Additions, 2456.	Removals, 973.	Net gain, 1483.
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The twenty-six deaths reported to the Secretary during the year are of the following members:

Mrs. J. A. Beeber	A. C. Jennison
G. W. Bennett	A. Kaupas
William M. Bairman	Amory A. Lawrence
Emil L. Boas	E. O. Lyte
Albert S. Brandeis	J. Pierpont Morgan
George A. Casey	Alfred T. Perry
Robert C. Chapin	John R. Planten
William F. Corne	Gustav H. Schwab
George G. Crocker	T. Guilford Smith
H. J. Freeman	Horace J. Stevens
William B. French	Anson P. Stokes
Charles M. Hays	George H. Utter
A. O. Heyer	Lester F. Ward

Invitations for the meeting of 1914 have been received from the following bodies:

New Orleans Conventions and Tourist Bureau, New Orleans; Galveston Commercial Association, Galveston, Texas; The Columbus and Publicity Association, Columbus, O.; The Denver Convention Association, Denver, Col.; The Merchants Association of New York; The Chamber of Commerce, Wilmington, Del.; The Indianapolis Chamber of Commerce, Indianapolis, Ind.; The Niagara Falls Bureau of Conventions; The President of Princeton University.

In laying down the work of the office, the Secretary wishes to thank the members of the Association for the support which they have given to the work of increasing the membership, and for the patience with which they have received the numerous requests for help and other communications which he has sent them.

Respectfully submitted,

T. N. CARVER, Secretary.

REPORT OF THE TREASURER FOR THE YEAR ENDING DECEMBER 15, 1913

Your Treasurer presents a table of cash transactions for the year as follows:

Cash on hand December 20, 1912.....	\$824.36
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RECEIPTS

Membership Dues.....	\$9580.24	
Subscriptions	1261.46	
Guarantee Fund.....	1983.25	
Interest	145.94	
Extension Fund.....	500.00	
Sales of Publications.....	765.92	
Annual Meeting		
Contributions for Luncheon	\$155.00	
Surplus from Local Commit-		
tee	75.97	
C. G. Hoag, share of room		
rent	6.00	
		236.97
		<hr/>
		14,473.78
		<hr/>
		\$15,298.14

EXPENDITURES

Publications	
Review Printing.....	\$3328.01
Review Editorial.....	2768.35
Review Expense and Supplies	1308.19
	<hr/>
	\$7404.55
Proceedings and Handbook.....	835.74
Secretary's Office	
Office Salaries.....	1662.75
Traveling Expenses.....	32.75
Stationery and Office Print-	
ing	259.18
Office Postage	315.78
Telegraph and Telephone..	39.13
Express and Cartage	2.05
Office Supplies.....	44.32
Furniture and Fixtures....	79.00

Annual Meeting

Expense	\$185.40	
Luncheon	301.00	
	<hr/>	486.40
Miscellaneous	13.55	
	<hr/>	2934.91
Storage of Publications.....	50.00	
Insurance	67.00	
	<hr/>	\$11,292.20

Cash on hand December 15, 1913:

Cambridge Trust Co.	\$1939.27	
Savings Bank	2066.67	
	<hr/>	\$4,005.94
		<hr/>
		\$15,298.14

The five hundred dollar contribution received for the purpose of extending the membership (also an unexpended amount of \$64 of a contribution for the same purpose last year) has been apportioned to the following accounts:

Office Postage.....	\$100.00
Printing and Stationery.....	125.65
Office Salaries.....	338.35
	<hr/>
	\$564.00

This reduces the totals of these accounts in the final statement or income account as presented in the Auditors' report.

All bills for the year which have been presented have been paid. There are a few unsettled accounts, but they are very small.

In the early autumn it was uncertain whether there would be a sufficient amount in the treasury to meet all the expenses of the year, and the Treasurer addressed a circular letter to all who had pledged for three years to the Guarantee Fund for the *Review*, stating in the letter that the guarantors were at liberty to deduct from the amount of their pledges the two dollars increase in the membership dues. While a number availed themselves of this privilege, many did not, and, as stated, \$1983.25 has been received. The \$130.00 reported last year as paid in advance on this year's pledges makes the total of this fund for the year \$2113.25.

These pledges with a few exceptions are now paid in full, and it is probable that the donation for the extension fund will not be renewed. These two facts must be taken into consideration in making plans for another year and in forecasting the income.

Since the close of the fiscal year and the auditing of the accounts, \$1904.50 of the idle cash have been invested in two bonds of the United Fruit Company, maturing in 1923, bearing four and one half per cent interest.

Thus the Treasurer has been able to replace the investment which the Association had when he was elected to office, which he was obliged to use up in the two or three years when the income did not meet the expenses.

Eliminating from the foregoing income account all extraordinary sources of income, such as the guarantee fund, the extension fund, and the contributions for the annual meeting, we can reasonably count upon a normal income of \$11,791.70.

There is no reason for assuming that the expenditures will be appreciably more or appreciably less than the present year, which amounts to \$11,292.20. This will leave us a surplus on the business of the year of \$499.50. This, together with the fact that we have \$3000.00 invested, may justify us in saying that the Association is, at the present moment, in a sound financial condition. The following is the itemized forecast for the year:

RECEIPTS	
Membership dues.....	\$9580.24
Subscriptions	1261.46
Interest	200.00
Sales of publications.....	750.00
	<hr/> \$11,791.70
EXPENDITURES	
Publications	\$7404.55
Proceedings and Handbook.....	835.74
Secretary's Office.....	2934.91
Storage of Publications.....	50.00
Insurance	67.00
	<hr/> 11,292.20
Balance	<hr/> \$499.50

Respectfully submitted,
T. N. CARVER, Treasurer.

REPORT OF THE AUDITING COMMITTEE FOR YEAR ENDING DECEMBER 15, 1913

INCOME AND OUTGO

Ordinary Income:

Dues	\$11463.05
Less Defaulted ¹	422.25
Net	\$11040.80
Interest	145.94
	<u>\$11,186.74</u>

Ordinary Outgo:

Salaries	\$ 1323.92
Travelling Expenses.....	32.75
Stationery and Printing....	133.53
Postage	215.78
Supplies	46.37
Telephone and Telegraph...	39.13
Storage and Publications...	50.00
Insurance	67.00
Annual Meeting.....	99.43
Miscellaneous Expense.....	13.55
	<u>2021.46</u>

Surplus of Ordinary Income \$9165.28

Publication Outgo:

Printing	\$ 3328.01
Editorial	1500.00
Contributonal	1268.35
Editorial Expenses.....	1308.19
Proceedings, etc.	835.74
	<u>\$8240.29</u>

Publication Income:

Subscriptions	\$ 1267.62
Sales	668.03
	<u>\$ 1935.65</u>
Less Uncollectible Items....	31.12

1904.53

¹ Dues of 1913 charged to members who have paid nothing since 1911 are here written off.

Cost of Publications above Normal

Income	\$ 6335.76
Guarantee Fund.....	2113.25

Cost of Publications above Total

Income	4222.51
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Surplus for the Year, excluding

Special Items.....	\$ 4942.77
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SPECIAL INCOME AND OUTGO

Special Income:

Extension Fund.....	\$ 500.00
Balance from 1912.....	64.48
	<u>\$ 564.48</u>

Special Outgo:

Extension Salaries.....	\$ 339.33
Stationery, etc.....	124.50
Postage	100.65
	<u>\$ 564.48</u>

BALANCE SHEET: DECEMBER 15, 1913

<i>Assets</i>		<i>Liabilities</i>	
Cash	\$ 1939.27	Accounts Payable.....	\$ 41.67
Investment	1000.00	Dues Prepaid.....	214.25
Accounts Receivable.....	79.88	Surplus	6634.65
Dues Receivable.....	1459.50		
Furniture and Fixtures....	313.25		
Savings Bank Account....	2066.67		
Insurance Prepaid.....	32.00		
	<u>\$6890.57</u>		<u>\$6890.57</u>

SURPLUS ACCOUNT

Balance December 20, 1912.....	\$ 2053.38
Defaulted Membership Dues prior to 1912 ²	\$ 501.50
Less Allowance made in 1912.....	140.00
Net Deduction from Surplus.....	<u>361.50</u>

² Dues prior to 1913 of members who have paid nothing since 1911 are here written off.

Actual Surplus prior to 1913.....	\$1691.88
Surplus for the Year 1913.....	4942.77
	<hr/>
Surplus December 15, 1913.....	\$6634.65
	<hr/>

WILLIAM MORSE COLE,
CARROLL W. DOTEN,
HARVEY S. CHASE,
Auditing Committee.

REPORT OF THE MANAGING EDITOR OF THE AMERICAN ECONOMIC REVIEW, DECEMBER, 1913

The *American Economic Review* has now completed its third year. Expenditures during 1913 were \$7404.55 as compared with \$6922.90 in 1912. By principal items the expenditures during the past three years have been as follows:

	1913	1912	1911
Printing	\$3328.01	\$3220.83	\$2495.18
Salary of editor.....	1500.00	1500.00	1500.00
Contributors	1268.35	1114.50	1320.25
Clerical assistance.....	983.09	794.89	865.50
Supplies	325.10	292.68	413.51
Travelling expenses of editors			136.15
	<hr/>	<hr/>	<hr/>
	\$7404.55	\$6922.90	\$6730.59

It will be observed that the outlay for 1913 was \$481.65 greater than in 1912. For this increase printing is responsible for \$107.18. This, however, is largely due to an increase in the item of postage, the *Review* having assumed a larger part of the postage expenditure charged by the Princeton University Press. Payments to contributors have increased by \$153.85. Nearly \$100 of this was due to the payments for notes on legislation. It has been believed that this part of the *Review* was serving a most useful purpose and that it would be wise to make some recompense for the assistance of the coöperating members. Clerical assistance increased by \$188.20, largely due to the increase in salary of the managing editor's secretary who is able to render a more valuable service. Supplies increased by \$32.43, but this is offset

in part by the increased stock of stationery and postage on hand.

The amount of matter printed has continued to increase. Volume III, just completed, contains 1078 pages (not including the index) as compared with 1038 pages in 1912, and 981 pages in 1911. This increase has not been intentional, for at the beginning of the year 1000 pages was determined upon as a maximum; but pressure for space did not lessen, and the editorial office, for various reasons which seemed good at the time of decision, yielded to temporary necessities. It is, however, my opinion that a single volume should not exceed 1000 pages in length.

The contents have been divided as follows, in pages:

	1913	1912	1911
Leading articles.....	347	291	342
Reviews of books.....	268	298	304
New books listed.....	104	101	62
Documents, reports, and legislation	141	110	89
Periodical abstracts.....	167	186	133
Notes	43	41	40
Doctoral dissertations.....	8	11	8
	<hr/> 1078	<hr/> 1038	<hr/> 978

In percentages the distribution has been as follows:

	1913	1912	1911
Leading articles.....	32.2	28.0	34.9
Reviews of books.....	24.9	28.7	31.0
New books listed.....	9.6	9.6	6.2
Documents, reports, and legislation	13.0	10.6	9.1
Periodical abstracts.....	15.5	17.9	13.4
Notes	4.0	4.0	4.0
Doctoral dissertations7	1.0	.8

In 1913 there were printed 20 leading articles, as compared with 17 in 1912 and 21 in 1911; 198 books were reviewed, as against 213 in 1912. For this year, however, there was a larger number (47) of brief comments upon new books, making a total appraisal of characterization of 245 books. Fourteen hundred and sixteen new books were listed in the bibliographies as compared with 1452 in 1912. More space has been given to the department of Documents, Reports, and Legislation, the proportion rising

from 9 per cent in 1911 to 13 per cent in 1913. This department contained, in 1913, 42 signed communications.

Although the total space devoted to periodical abstracts has declined, the number of titles entered has increased. In 1913 there were 1877 titles, as compared with 1727 in 1912. In part the reduction in space is due to the loss of services of abstractors, so that for certain topics the entries were made without annotation. Here note should be made of the cordial coöperation of the members who have charge of the different topics for abstract. This task is by no means a pleasant one. Often it must be done under great pressure and inconvenience, and it is a routine service offering little opportunity for expression of individual judgment. During the past year the *Review* has lost in this connection the services of Professor W. F. Gephart who had charge of Insurance, of Professor F. R. Fairchild in charge of Money, Banking, Credit, and Prices, and of Professor H. S. Person in charge of Commerce. For the latter group Dr. Melvin T. Copeland of Harvard University has kindly agreed to assume responsibility; for Money, Credit, and Banking, Professor D. C. Barrett of Haverford College; and, for Prices, Dr. H. J. Harris of the Library of Congress.

Some statement should be made in regard to the policy of the editors. An endeavor has been made to draw into the circle of contributors as large a number of our members as possible. For some of the work it is necessary to have a permanent staff of helpers, as in the preparation of the periodical abstracts, and, to a less extent, of the legislative notes. But the group of reviewers is constantly extending. During the first two years there were 175 different reviewers, and, during this third year, 51 new names were added, making a total of 226. In thus aiming to secure a wide representative expression of the judgement of our membership, guard has been taken against relying upon immature experience or unscholarly aid. There have been 48 different authors of 58 leading articles during the three years. This also indicates an effort to extend the hospitality of the *Review* to as large a circle as possible.

DAVIS R. DEWEY,
Managing Editor.

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